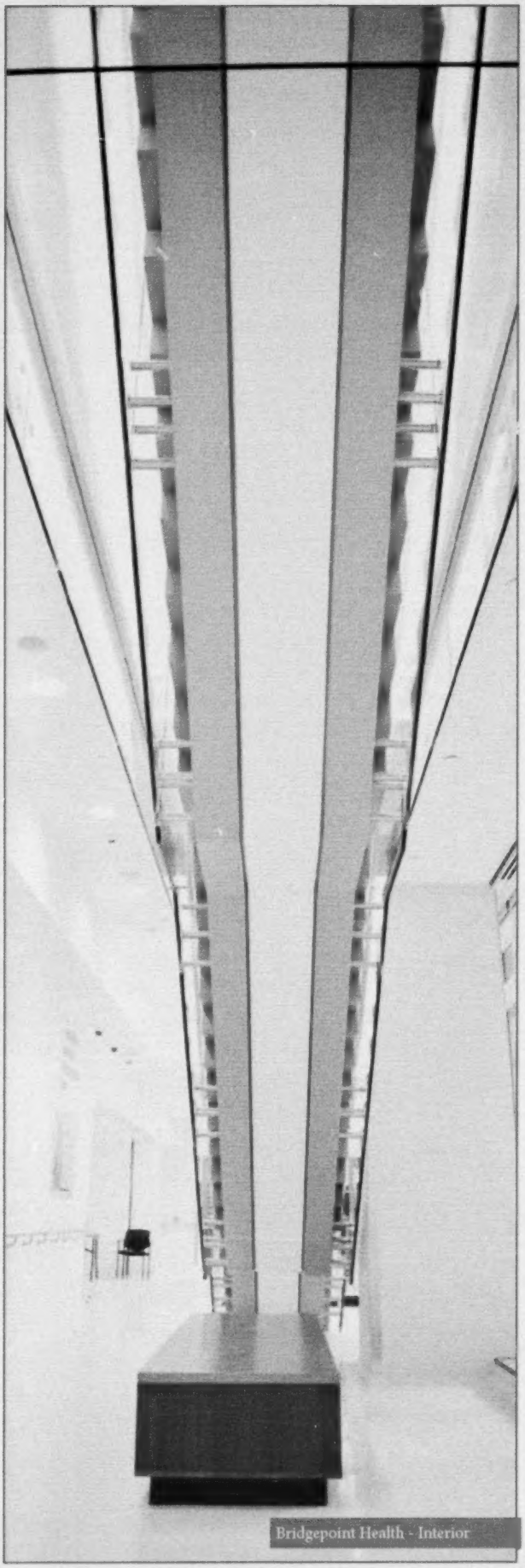
Ontario

Infrastructure Ontario

Annual Report 2013/14

ONTARIO INFRASTRUCTURE AND LANDS CORPORATION



Bridgepoint Health - Interior

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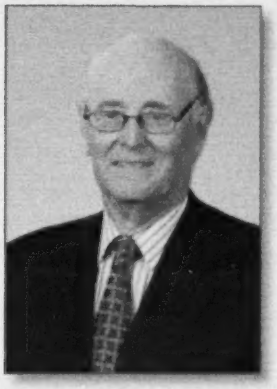


MESSAGE FROM THE CHAIR

I am pleased to provide to you Infrastructure Ontario's 2013-14 Annual Report highlighting the achievements and progress the organization has made over the last year. Throughout this fiscal period, Infrastructure Ontario has maintained its commitment to delivering multiple, high quality infrastructure projects and real estate services on behalf of the Ministry of Infrastructure. In this report we aspire to provide a deeper appreciation of the many aspects of our business, including our performance, governance and how we create and deliver value that is in the public interest.

This year the Board has focused on enhancing oversight, maintaining good governance as a priority and strengthening the board composition to ensure Infrastructure Ontario's continued success. The Board continues to have strong and experienced leadership from the business community which reinforces Infrastructure Ontario's ability to partner with the private sector in order to deliver results on behalf of the government.

Significant Commitment to Good Governance

Good governance is essential for Infrastructure Ontario to achieve its objectives and we are fortunate to have well established policies and processes in place to support this. Also, in order to perform the task and requirements of the Board, we are structured into various committees to expand our oversight and accountability.

Over the past year Infrastructure Ontario has updated its code of conduct and whistleblower policies. These policies were reviewed and approved by the Board. By continuing to demonstrate leadership and best practice in all aspects of governance, Infrastructure Ontario ensures accountability and integrity in everything we do.

Enhanced Board Oversight

One of the key roles of the Board is to ensure Infrastructure Ontario is fulfilling its mandate and mitigating risk in order to deliver long term value. The Board fulfills this role by reviewing the operating and financial performance of the organization on a continual basis. Infrastructure Ontario has performance management systems, corporate policies and a commitment to continuous improvement. We also continue to enhance our risk management oversight and reporting, focusing on risk identification and mitigation strategies.

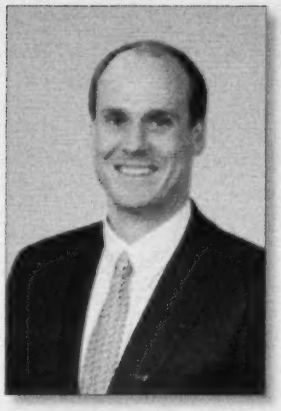
Strengthened Board Expertise

Infrastructure Ontario's Board continues to add strength and diversity to our Board composition to ensure there is a good span of expertise, knowledge, experience and diversity. We were pleased to welcome two new Board members this year. With 30 years experience, Colleen Campbell brings a wealth of business expertise and infrastructure bond financing knowledge. Vito Sgro adds accounting and financial strength to the Board, bringing his experience as a Chartered Accountant and having served on many Boards including the Hamilton Port Authority.

On behalf of the Board, I would like to thank our Chief Executive Officer and President, Bert Clark, and the Executive Management team for their continued strong leadership. The Board of Directors is confident that Infrastructure Ontario is on a path to successfully deliver our mandate for many years to come.

Tony Ross
Chair, Board of Directors
Infrastructure Ontario

MESSAGE FROM THE PRESIDENT & CEO



As the 2013-14 operating year comes to an end, I reflect upon the achievements of Infrastructure Ontario and I'm pleased to share with you some of the highlights in our Annual Report. This Annual Report provides an opportunity to better understand the many facets of our business and our performance. We continued to build upon our positive momentum from prior years by successfully accomplishing all of our business plan objectives and making progress toward achieving our vision and long-term goals. We renewed our commitment to continuous improvement as we always aspire to do better. I am confident that the team at Infrastructure Ontario continues to develop ways to partner with the private sector in order to achieve results that are in the public interest.

Focusing on Execution

Infrastructure Ontario is committed to providing high quality services and delivering projects on time and on budget. Our results this year once again demonstrate that Infrastructure Ontario is delivering on our mandate to the Province and fulfilling our purpose to manage, finance and enhance the value of Ontario public assets.

In the 2013-14 Fiscal year, Infrastructure Ontario had six Alternative Financing and Procurement (AFP) projects reach Request for Proposal (RFP) close and seven achieve substantial completion within budget. We also achieved our milestones for the execution of five commercial projects providing advice and services to ServiceOntario, the Ministry of Northern Development and Mines regarding the Ring of Fire and more.

In addition, Infrastructure Ontario continued to implement its three year plan in support of the Ontario government's initiative to generate revenue through selling property and lands. We facilitated the sale of $52M in land sales this past year which was $28M above our target. We also executed over 3,000 projects for capital repairs, leasehold improvements, and small works alterations as well as over 300 lease transactions. In support of the government's realty transformation strategy to better utilize and maximize the real estate portfolio, Infrastructure Ontario /MOI achieved a footprint reduction of 32% of the one million square feet in Toronto and 40% of the 300,000 square foot target outside of Toronto. IO has also approved financing for $817M of loans to over 90 applicants.

Focusing on People

Our people are a valuable resource and a key driver to our success. The results of this year's employee engagement survey showed an increased rating on recommending Infrastructure Ontario as a place to work. The survey also indicated that 75% of employees were proud to work for Infrastructure Ontario and 79% had an understanding of the strategies for the organization and of the expected results in their role. The top challenges were also identified and the executive team has put together an action plan to address the issues identified. We are committed to regularly communicate the progress of our priority action items to employees.

Focusing on Clients

A large portion of our business is client-driven wherein we aim to meet the needs of our clients in delivering their projects. We focus on working together for success and providing sound advice. This year's client satisfaction survey indicated that 87% of our clients rate our services as good to excellent. We will continue to deliver quality service to ensure we nurture and sustain great client interactions.

Focusing on Innovation

Infrastructure Ontario continuously works with clients and partners in an effort to uncover new opportunities and solutions to Ontario's infrastructure and realty needs. In 2013-14, Infrastructure Ontario received direction from the Minister to engage in 15 new projects.

We also seek out best practices across the organization to drive process improvements. In 2013-14, Infrastructure Ontario undertook 22 improvement initiatives, to improve the way in which Infrastructure Ontario executes projects including enhancements to the AFP program.

Innovation at Infrastructure Ontario also involves working with our industry partners to determine new ways to improve how we operate and how we work together. This past year, Infrastructure Ontario has developed an industry partnerships plan including quarterly industry meetings. Solidifying a better relationship with industry will ultimately help Infrastructure Ontario deliver on its mandate and support Ontario's economy.

Focusing on Diligence

Operating with integrity, openness and transparency are fundamental attributes for Infrastructure Ontario and guarantees we bring value to the Province. Infrastructure Ontario's Value for Money (VFM) assessments are a system that compares the value of the AFP model versus the traditional model and ensures the method utilized provides most value for money to the Province. Infrastructure Ontario undertook a review of its processes regarding VFM calculation and implemented improvements to promote transparency and clarify rationales and definitions for identified risks.

Infrastructure Ontario is also diligent in managing risk. Managing risk is at the core of our business. We have processes and governance structures in place to identify, assess and mitigate risk. This past year, credit risk policies and processes were reviewed and an implementation plan for improvements was developed.

In addition, Infrastructure Ontario has reviewed all outsourced service provider contracts and enhancements have been made in the governance structure as well as performance management.

Looking Ahead

Looking ahead, we remain committed to continuing to look for new opportunities to add value to the Provincial infrastructure and realty landscape and fulfilling our purpose to build, manage, finance and enhance the value of Ontario public assets. I am confident that we will continue to deliver value for our clients, partners, stakeholders and employees. I'm proud of the value we add in the communities we serve and I know we will find new ways to contribute moving forward. Behind our success is a great team of people that are guided by our values, focused on working together to execute our projects and advice in a diligent and innovative manner.

Sincerely,

Bert Clark
President and Chief Executive Officer

CORPORATE PROFILE

Infrastructure Ontario is a Crown corporation owned by the Province of Ontario that provides a wide range of services to support the Ontario government's initiatives to modernize and maximize the value of public infrastructure and realty. Infrastructure Ontario upholds Ontario's commitment to renew public services and we often do so in cooperation with the private sector. Our focus is on four main roles:

Modern Procurement & Project Manager

Managing large complex public infrastructure projects through an alternative financing and procurement (AFP) model, which uses private financing and expertise to strategically build quality infrastructure, on time and on budget, leading North America as the most advanced and active market for public-private partnerships.

Real Estate Manager

Providing oversight of Ontario's real estate portfolio and maximizing the value of public buildings and lands on behalf of the Ministry of Infrastructure (MOI), client ministries, and agencies through strategic asset management (including leasing, appraisal, energy management and environmental services), realty capital planning and accommodation analysis.

Leading strategic portfolio reviews and rationalization, and alternate use planning (including real estate development, acquisition of properties, and disposition of surplus properties) on behalf of MOI and client ministries.

Infrastructure Lender

Administering Infrastructure Ontario's Loan Program, which provides Ontario municipalities and eligible public sector and not-for-profit organizations with access to affordable loans to build and renew public infrastructure.

Commercial Project Advisor

Leveraging private sector partnerships and investments for revenue generation, cost reduction, and efficiency in government services and investments.

Infrastructure Ontario's four business units (Major Projects, Real Estate Management, Realty Planning and Development, and Commercial Projects and Lending) are supported by Transaction Structuring, Corporate Services, Human Resources and Legal Services. Transaction Structuring supports the organization's business units by providing program management, procurement, transaction finance, business and government strategy, and communications support. Corporate Services is comprised of Finance and Treasury, Information Technology, Business Services and Facilities, Risk Management and Internal Audit, and Records Management and provides support to the organization in these areas.

CORPORATE GOVERNANCE & ACCOUNTABILITY

Infrastructure Ontario provides services on behalf of the Government of Ontario. The delivery of infrastructure projects worth billions of dollars, coupled with the responsibility to manage one of the largest real estate portfolios in North America, makes it essential that Infrastructure Ontario has rigorous and accountable governance structures and practices in place. Infrastructure Ontario applies a high standard of corporate governance to ensure operational efficiency and accountability.

Governance Structure & Practices

Infrastructure Ontario has a robust and well-structured governance framework. Infrastructure Ontario's powers and responsibilities are set out in the Ontario Infrastructure and Lands Corporation Act, 2011 and Infrastructure Ontario is accountable to the Ontario legislature through the Ministry of Infrastructure. A Memorandum of Understanding (MOU) with the Minister of Infrastructure (Minister) clarifies and delineates Infrastructure Ontario's roles and responsibilities, as well as the accountability framework between the ministry and Infrastructure Ontario.

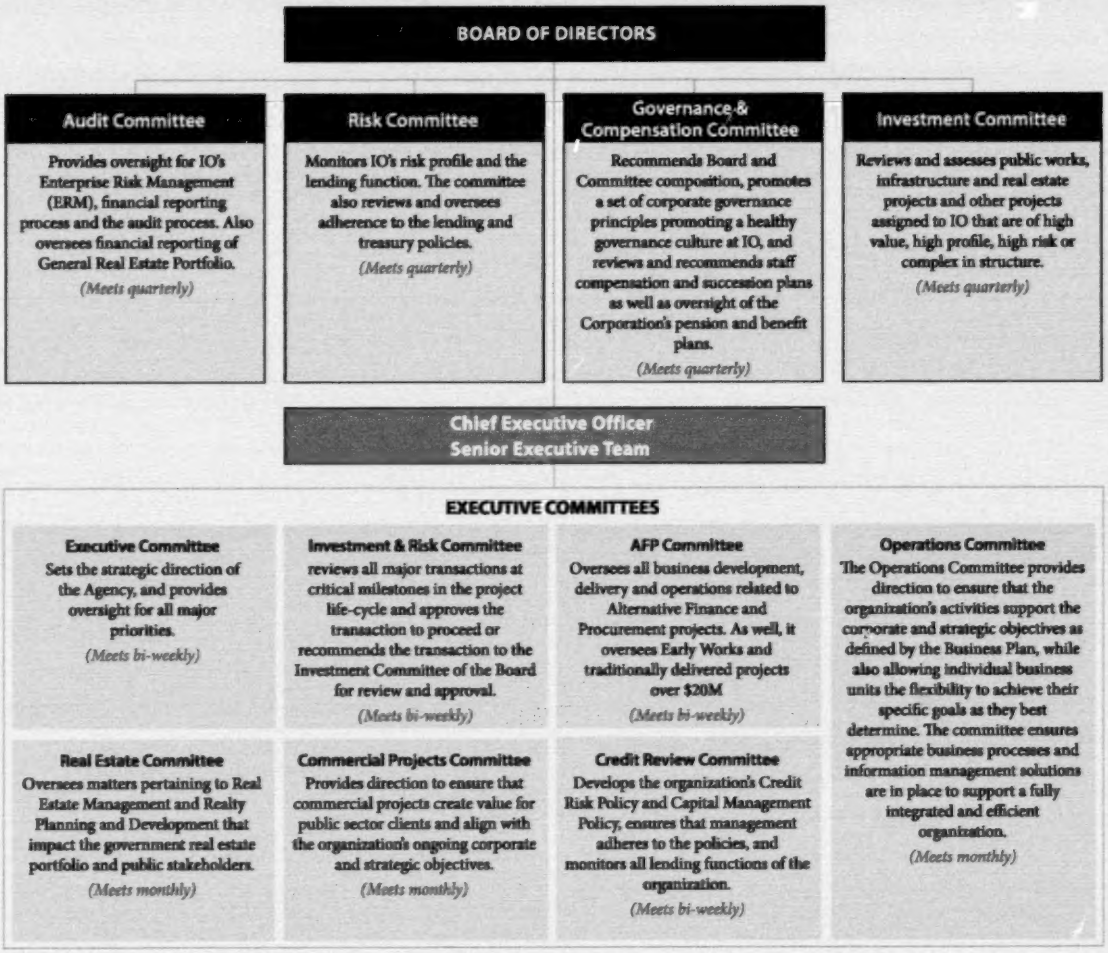
Infrastructure Ontario is governed by a Board of Directors and Chief Executive Officer (CEO) appointed by the Lieutenant Governor-in-Council. The Chair of the Board reports to the Minister of Infrastructure. Infrastructure Ontario's Board currently consists of 11 experienced and well-informed members. The directors have a wide breadth of expertise and private sector knowledge, as well as business, industry, or other relevant experience, to carry out their fiduciary duties and uphold the interests of the organization.

The role of the Board is to provide governance and stewardship and set the strategic management priorities for Infrastructure Ontario. The Board approves the corporate objectives and regularly monitors financial and operational performance, risk, and accountability. The Board has established four committees for oversight, which include an Audit Committee, Risk Committee, Governance and Compensation Committee, and Investment Committee. The roles and responsibilities of each committee are set out in the terms of reference. The Board meets on a monthly basis and its committees meet on a quarterly basis during the year.

As part of the Board's commitment to good governance, an annual business plan and annual report are prepared in accordance with applicable legislation and the government's Agency Establishment and Accountability Directive and submitted to the Minister of Infrastructure for approval.

The CEO is responsible for the operation of Infrastructure Ontario and other functions as assigned by the Board of Directors. The CEO provides leadership to Infrastructure Ontario's management and employees, and fosters a corporate culture that promotes engagement, consistent execution, proper diligence, and client service. The CEO is supported by a diverse and skilled executive team, comprised of eight members, which monitors corporate and business unit performance and issues through regular reporting and oversight by the seven management committees (Executive Committee, Investment and Risk Committee, Major Projects Committee, Credit Review Committee, Operations Committee, Real Estate Committee, and Commercial Projects Committee).

Decision-making thresholds of Infrastructure Ontario management committees and individual staff members are governed by a Delegation of Authority which is approved by the Board of Directors and is aligned with the Minister's Directions and delegation of authority to the Agency.


BOARD OF DIRECTORS
Audit Committee
Provides oversight for IO's Enterprise Risk Management (ERM), financial reporting process and the audit process. Also oversees financial reporting of General Real Estate Portfolio.
(Meets quarterly)
Risk Committee
Monitors IO's risk profile and the lending function. The committee also reviews and oversees adherence to the lending and treasury policies.
(Meets quarterly)
Governance & Compensation Committee
Recommends Board and Committee composition, promotes a set of corporate governance principles promoting a healthy governance culture at IO, and reviews and recommends staff compensation and succession plans as well as oversight of the Corporation's pension and benefit plans.
(Meets quarterly)
Investment Committee
Reviews and assesses public works, infrastructure and real estate projects and other projects assigned to IO that are of high value, high profile, high risk or complex in structure.
(Meets quarterly)
Chief Executive Officer
Senior Executive Team
EXECUTIVE COMMITTEES
Executive Committee
Sets the strategic direction of the Agency, and provides oversight for all major priorities.
(Meets bi-weekly)
Investment & Risk Committee
reviews all major transactions at critical milestones in the project life-cycle and approves the transaction to proceed or recommends the transaction to the Investment Committee of the Board for review and approval.
(Meets bi-weekly)
AFP Committee
Oversees all business development, delivery and operations related to Alternative Finance and Procurement projects. As well, it oversees Early Works and traditionally delivered projects over $20M
(Meets bi-weekly)
Operations Committee
The Operations Committee provides direction to ensure that the organization's activities support the corporate and strategic objectives as defined by the Business Plan, while also allowing individual business units the flexibility to achieve their specific goals as they best determine. The committee ensures appropriate business processes and information management solutions are in place to support a fully integrated and efficient organization.
(Meets monthly)
Real Estate Committee
Oversees matters pertaining to Real Estate Management and Realty Planning and Development that impact the government real estate portfolio and public stakeholders.
(Meets monthly)
Commercial Projects Committee
Provides direction to ensure that commercial projects create value for public sector clients and align with the organization's ongoing corporate and strategic objectives.
(Meets monthly)
Credit Review Committee
Develops the organization's Credit Risk Policy and Capital Management Policy, ensures that management adheres to the policies, and monitors all lending functions of the organization.
(Meets bi-weekly)

Risk Management

Most of Infrastructure Ontario's business activities involve an element of risk and therefore effective management of risks is fundamental to Infrastructure Ontario's success. Infrastructure Ontario is committed to establishing a framework that ensures risk management is an integral part of its activities. Risks are identified and managed through a comprehensive Enterprise Risk Management (ERM) Program that helps the organization identify, evaluate, mitigate, monitor, and report on risks. The Board approves an ERM policy on an annual basis and oversees the approval and monitoring of Infrastructure Ontario's risks and risk prioritization. Key risks are regularly reviewed by senior management and reported to the Board and MOI. More detail on the risk categories, risk framework, and key risks can be found in the Management Discussion and Analysis (MD&A) section of this report.

Accountability & Transparency

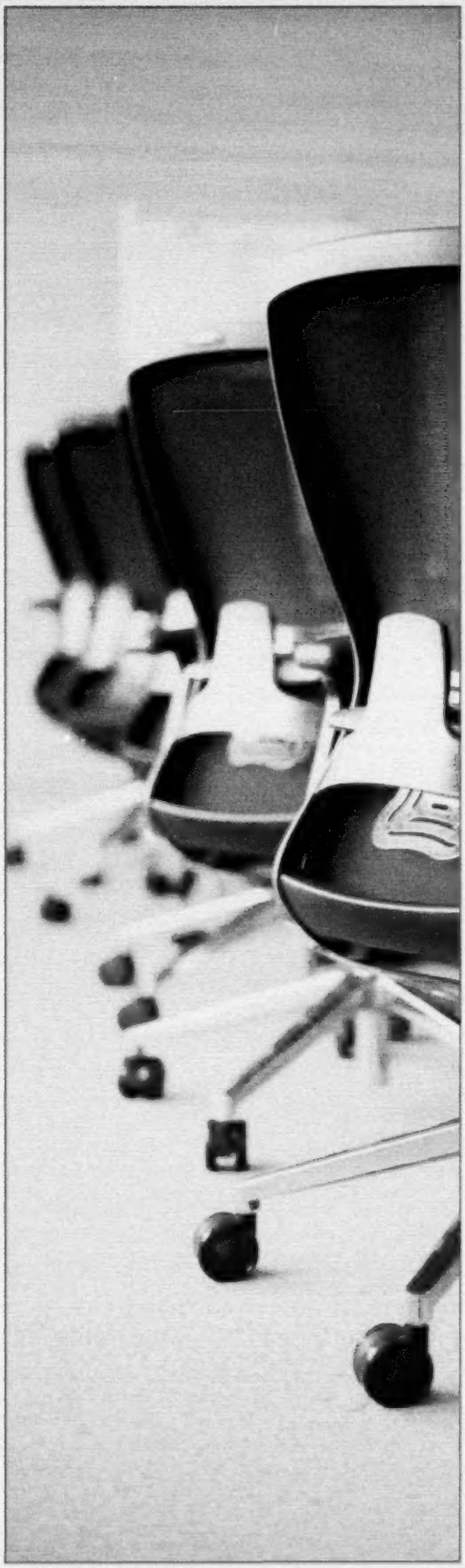
In all of its work, Infrastructure Ontario is mindful of due diligence, accountability, transparency, and results, with a goal of ensuring real value to the Province with every transaction and ongoing management.

Infrastructure Ontario demonstrates accountability to MOI and other interested parties in the following ways:

- Submits an annual report to the Minister of Infrastructure and produces a business plan, including performance measures, submitted annually to the Minister for approval
- Has annual financial audits conducted by an accredited external auditing firm
- Provides access to records under the Freedom of Information and Protection of Privacy Act
- Complies with applicable government directives policies and legislation
- Utilizes an Enterprise Risk Management system to identify, assess, and mitigate risks
- Supports audits by the Office of the Auditor General, Ontario Internal Audit Division as well as Infrastructure Ontario's ongoing internal audit process
- Supports the open government initiative by providing information on projects and activities on Infrastructure Ontario's website
- Conducts monthly partnership meetings with MOI to review reporting and discuss strategic issues
- Consults and reaches out to the public through meetings and forums, such as the AFP forum, ministry CAO forum, and industry meetings
- Engages third-party independent advisors to maximize rigorous analysis of options, recommendations and decisions
- Appoints independent fairness advisors to supervise all major procurement processes

Code of Conduct

The Code of Conduct is one of Infrastructure Ontario's governing documents designed to provide guidance, principles and standards for expected ethical behaviour. It applies to the Board of Directors, executive and senior management, and all employees. In the 2013-14 fiscal year, Infrastructure Ontario reviewed and made revisions to the Code of Conduct to make it more comprehensive. As a condition of employment with Infrastructure Ontario, employees must read and confirm their comprehension of the code. Annually, all employees must verify their understanding of, and commitment to comply with, Infrastructure Ontario's Code of Conduct.



BOARD OF DIRECTORS

(as of March 31, 2014)

D. Anthony Ross, Chair

Tony Ross serves as the Chair of the Board of Directors of Infrastructure Ontario. Mr. Ross worked as a Business Consultant for RG Group where he advised, amongst others, Manulife Financial, the Government of Newfoundland and Labrador, the University of Toronto, York University, Hydro One, and TELUS. Earlier, Mr. Ross was Vice-Chairman of Merrill Lynch Canada, where he directed the activities of the Capital Markets group. Mr. Ross is the Chair of the OPSEU Pension Trust and a member of the Investment Committee of Cystic Fibrosis Canada.

(Term: June 6, 2011 – March 31, 2016)

Linda D. Robinson, Vice Chair

Linda Robinson is a retired partner of Osler, Hoskin & Harcourt LLP, a leading Canadian law firm, where she was a senior partner in the Corporate group and Chair of Osler's national business law department. Ms. Robinson's practice consisted principally of large corporate and commercial transactions, including public and private mergers and acquisitions, financings, restructurings, regulatory matters, and governance for both public and private companies. Ms Robinson is also a director of Entertainment One, a leading international entertainment company and independent producer and distributor of film and television content, listed on the London Stock Exchange. Her charitable and pro bono interests include teaching practical skills in corporate and commercial law to young lawyers in southern Africa and an initiative promoting the equality of women lawyers in Nepal. Ms. Robinson has a long standing interest in infrastructure renewal with an MSc in Urban and Regional Planning Studies from the London School of Economics.

(Term: June 6, 2011 – February 20, 2016)

Colleen Campbell

Colleen Campbell is the Vice Chair of BMO Capital Markets, the investment and corporate banking arm of the Bank of Montreal (BMO).

Ms. Campbell has over 30 years of experience in investment banking and debt capital markets, most recently as global head of Debt Capital Markets for BMO Capital Markets. She is recognized as a leader in the development of the model for infrastructure bond financing in the Canadian market and was named as the top bond investment banker in Canada in the Brendan Wood

Journal "Outperformance in the Capital Markets 2006". Ms. Campbell also played a key role in the restructuring and build out of BMO's North American leveraged finance business to provide loan and bond underwriting for Canadian and US clients. She was named one of the Top 20 Women of the Year by *Women's Post* magazine in 2010 and is very active in BMO's efforts to recruit, retain, and develop female leaders in the business.

She serves as chair of the Endowment Board of Greenwood College School. Ms. Campbell received her Honours Business Administration degree from the Richard Ivey School of Business and has her ICD.D designation from the Rotman School of Business.

(Term: October 23, 2013 – October 22, 2016)

Bert Clark, President & Chief Executive Officer, Infrastructure Ontario

Bert Clark became President and CEO of Infrastructure Ontario in August 2012 after four years running the North American Infrastructure business for Scotiabank. During his time at Scotiabank, he strengthened his reputation as a corporate leader who builds teams that deliver results and continued to be an effective champion for partnerships between the public and private sector.

Prior to his role at Scotiabank, Mr. Clark held the position of Senior Vice President of Projects at Infrastructure Ontario where he was responsible for the overall financing strategy of the agency's multi-billion dollar infrastructure program. He played a critical role in building an approach to managing major projects to ensure the promise of "on time, on budget" was turned into reality.

From 2003 to 2005, Mr. Clark was a senior advisor at Queen's Park where he helped lead the establishment of Ontario's first long-term infrastructure investment plan. He played a lead role in introducing the concept of alternative finance and procurement to refresh Ontario's public infrastructure, directed the development of capital budgeting plans, and managed the launch of Ontario's first public-private partnerships.

Prior to 2003, Mr. Clark spent five years at Osler, Hoskin & Harcourt LLP.

Mr. Clark received his LLM from Duke University School of Law, LLB from Queen's Law School and BA (Hons) from McGill University. He is a member of the Law Society of Upper Canada and was called to the Bar in Ontario in February 1999.

A strong supporter of community-based charity campaigns, Mr. Clark is a Chair of the Princess Margaret Road Hockey charity – a national effort to fight cancer in Canada. He has also volunteered with Habitat for Humanity.

(Term: August 1, 2012 – July 31, 2015)

Patrick J. Dillon

Patrick Dillon is the Business Manager and Secretary Treasurer of the Provincial Building and Construction Trades Council of Ontario. He has held this position since January 1997.

He began his career in the construction industry as an apprentice electrician in 1961 and became a journeyman in 1966. Following 18 years of experience in the construction industry, he was elected Business Manager of Local 105 of the International Brotherhood of Electrical Workers (IBEW). In 1991, he was elected Executive Chairman of the IBEW Construction Council of Ontario.

Mr. Dillon was appointed by the Government of Ontario to serve on the Workplace Safety and Insurance Board, the 2015 Toronto-Greater Golden Horseshoe Pan/Parapan American Games Committee, and recently the Appointments Council for the Ontario College of Trades. He is also a member of the Toronto City Summit Alliance where he joins other civic leaders in addressing the city's issues and challenges moving forward.

(Term: June 6, 2011 – September 5, 2015)

Carol Gray

Carol Gray is President of Equifax Canada. Her extensive background in the financial services industry has included General Manager, Strategic Planning; Senior Vice-President, Commercial Banking; and Executive Vice-President, Small Business Banking at CIBC.

Ms. Gray has served on the Board of Directors for TBayTel, Women's Grace Hospital Foundation in Calgary, Mount Royal College Foundation, Canadian Youth Business Foundation, and the Trillium Health Centre Foundation.

Ms. Gray has an MBA from the Ivey School of Business, University of Western Ontario and is a Chartered Director.

(Term: June 6, 2011 – January 23, 2016)

Lawrence Kelly

Larry Kelly founded the law firm Kelly Santini LLP more than 30 years ago, practicing in corporate, real estate, employment, litigation, estate planning, and sports law. Mr. Kelly's in-depth understanding of topics such as debt and equity financing, mergers and acquisitions, and corporate governance helps entrepreneurs, venture capital funds, financial institutions, and businesses in technology, real estate, and insurance accomplish their business objectives.

Mr. Kelly's professional experience includes serving as a director of several companies, universities, and hospitals. He currently serves on the advisory board of the Reilly Institute at Notre Dame University and on the Board of Directors of Sarona Asset Management and Sarona Frontier Markets Fund 1 LP, investment funds that support sustainable energy projects in the Third World. He is a former member of the Board of Directors of St. Francis Xavier University, a former director and vice-president of Kelly Funeral Homes Ltd., and has founded several private companies.

(Term: June 6, 2011 – May 3, 2016)

David Leith

David Leith serves as the Chair of the Board of Directors of Manitoba Telecom Services Inc./MTS Allstream Inc. and is a Director of Hudson's Bay Co. and of Yellow Media Ltd. He is also a member of the Province of Ontario's Economic Advisory Panel. He has been a director of TransGlobe Apartment REIT and, from 2009 until 2011; he served as Special Advisor to the federal Minister of Natural Resources on the restructuring of Atomic Energy of Canada Ltd.

Mr. Leith spent over 25 years with CIBC World Markets, based in both Toronto and London UK and has extensive experience in debt and equity markets, government finance, and mergers and acquisitions. Until February 2009, he was Deputy Chairman and Managing Director and head of CIBC World Markets' Investment, Corporate and Merchant Banking activities.

Mr. Leith holds a BA from the University of Toronto and an MA from Cambridge University. He is active in a number of charitable endeavours and is the Vice Chair of Bridgepoint Health Foundation.

(Term: January 23, 2013 – January 22, 2017)

Gadi Mayman

Gadi Mayman is Chief Executive Officer of the Ontario Financing Authority (OFA), responsible for the Province's borrowing and debt management strategy, and its banking and capital markets relationships. He is also CEO of the Ontario Electricity Financial Corporation.

Prior to joining the Ontario Ministry of Finance, Mr. Mayman worked at the Export Development Corporation in Ottawa and in the International Division of TD Bank.

Mr. Mayman is also a board member of the Ontario Capital Growth Corporation and Co-Chair of the Joint Nuclear Funds Investment Committee, a joint OFA and Ontario Power Generation committee.

He received a BASc in Industrial Engineering from the University of Toronto in 1981 and an MBA from the University of Western Ontario in 1988.

(Term: June 6, 2011 – January 23, 2017)

Vito Sgro

Vito Sgro is a Chartered Accountant and a Partner with CBM Chartered Accountants LLP, dealing with all accounting, auditing, and general financial issues for the firm's clients. He is a former Auditor and Appeals Officer with the Canada Revenue Agency. He also served on many Boards including the Hamilton Port Authority, where he chaired the Audit Committee.

Mr. Sgro is a member of the Institute of Chartered Accountants of Ontario and the Canadian Institute of Chartered Accountants. Along with his CA designation, Mr. Sgro earned a BSc in Biology in 1985 and a BA in Administrative and Commercial Studies in 1988, both from the University of Western Ontario.

(Term: July 17, 2013 – July 16, 2016)

John Swinden

John Swinden is a retired partner from Ernst & Young Toronto. In his 39-year career with the firm, he practiced auditing and accounting in a number of areas that included audits of large construction companies, computer audit specialty services, microcomputer audit practice support, and forensic accounting. He also served as the Chief Financial Officer for the Canadian practice. His final responsibilities were in the field of risk management in London UK, where he served as the Director of Risk Management for Ernst & Young International.

Mr. Swinden holds a BCom from the University of Toronto and has been elected a Fellow of the Ontario Chartered Accountants Association. He is a Certified Fraud Examiner and holds a certificate in conflict resolution.

He has been actively involved in professional and community activities over the years, including directorships at Young People's Theatre, Transparency International Canada, Van-Rob Inc., and Toronto Summer Music Foundation. He is currently a director and board chair of Stevenson Memorial Hospital in Alliston, Ontario.

(Term: June 6, 2011 – January 26, 2017)

Directors Whose Terms Ended During 2013-14

- Isabel Meharry, Appointment expired August 23, 2013
- Darija Scott, Appointment expired August 23, 2013

Name	Committee Membership
Bert Clark	Investment
Carol Gray	Risk (Chair), Governance and Compensation
Colleen Campbell	Investment
D. Anthony Ross (Chair)	Investment (Chair), Audit ,Governance and Compensation
David Leith	Investment
Gadi Mayman	Investment
John Swinden	Audit (Chair), Risk
Lawrence Kelly	Risk, Governance and Compensation
Linda Robinson (Vice Chair)	Governance and Compensation (Chair), Investment
Patrick Dillon	Risk
Vito Sgro	Audit (Vice-Chair)

Total annual remuneration paid to the Board of Directors in fiscal 2013-14 was $173,905.90.

SENIOR EXECUTIVE TEAM

Bert Clark, President & Chief Executive Officer, Infrastructure Ontario

(See biography under Board of Directors)

Ehren Cory, Executive Vice President & Group Head, Transaction Structuring, Risk & Commercial Projects

Ehren Cory oversees Finance, Risk Management and Internal Audit, Commercial Projects and Asset Optimization, Procurement, Program Management Office, Business Strategy and Communications.

With more than 15 years of experience as a management consultant prior to joining Infrastructure Ontario in December 2012, Mr. Cory worked extensively with governments, public sector agencies and private companies on issues of infrastructure development, capital project management, and economic growth. Mr. Cory was a partner at McKinsey & Co., a global management consulting firm, where he was a leader in the Infrastructure and Public Sector practices, where he was responsible for all aspects of delivering strategic advice to clients, from identifying issues and negotiating scope of work to ensuring the quality of all analyses and recommendations and presenting findings to senior executive teams.

Mr. Cory holds an MBA from INSEAD and an honours BA in business administration from the University of Western Ontario.

Marni Dicker, Executive Vice President, General Counsel & Corporate Secretary

Marni Dicker leads Infrastructure Ontario's Legal Department, which includes lawyers specializing in AFP Transactions, Commercial Transactions, Real Estate and Leasing, Lending, Privacy, Government Affairs, Litigation, Construction and Contract Management, as well as Strategic Sourcing. Marni's team supports all of the lines of business at Infrastructure Ontario.

Prior to joining Infrastructure Ontario in April 2013, Ms. Dicker was Senior Vice President, Business & Government Affairs and Corporate Counsel for SNC-Lavalin O&M Inc. In that capacity, she led the legal team, while participating in the customization of services in large outsourcings to address the unique needs and priorities of each client. As both a legal practitioner and a business person, Ms. Dicker structured deals that fell well within legal boundaries while being innovative and client centered. She was responsible for structuring Public-Private Partnership proposals, including the contractual arrangements amongst concession partners, stakeholders, and clients. Additionally, Ms. Dicker was responsible for corporate government relations, and was the Chief Corporate Security Officer. Prior to that, she was a commercial litigation lawyer with two well-known Toronto law firms. Ms. Dicker is currently a Distinguished Visiting Scholar at Ryerson University, where she devotes her time to the Faculty of Engineering and Architectural Science.

Ms. Dicker has an Honors business degree (B.A. Com), a Bachelor of Civil Laws (B.C.L) and a Bachelor of Laws (LLB).

Dale Lawr, Chief Risk Officer

Dale Lawr joined Infrastructure Ontario from Altus Group, where she served as Chief Financial Officer from the time of its initial public offering in 2005 until 2010, when she transitioned to EVP Finance, Strategic Initiatives, responsible for Altus' corporate restructuring from an income trust to a traditional corporate structure.

Previously, Ms. Lawr lived in Chicago, where she served as CFO of RTC Industries Inc., a retail design firm; VP Finance of Frankel & Co., a national marketing services agency and a business unit of Publicis SA; and as a Senior Manager and Director of Finance for Accenture in the firm's Chicago and Toronto offices. She began her career in Toronto at Ernst & Young, progressing to senior manager before joining Grant Thornton, where she became partner.

Ms. Lawr is a Chartered Accountant, a Chartered Professional Accountant, and a Certified Professional Accountant (Illinois). She holds an MBA from Rotman School of Management, University of Toronto, and a Bachelor of Mathematics from the University of Waterloo.

Mary Lowe, Executive Vice President & Group Head, Commercial Projects and Lending

Ms. Lowe has over 15 years of experience managing teams and projects with significant budgets, delivering high quality results in a range of sectors. She has provided counsel to boards of directors, CEOs, and government ministers. She rejoined Infrastructure Ontario after serving at the Ministry of Health and Long-Term Care. She was one of the first staff at Infrastructure Ontario following its formation and held executive roles as Executive Vice President, Business Development and Lending; Vice-President, IT Project Delivery; and Vice-President, Communications and Corporate Relations.

John McKendrick, Executive Vice President & Group Head, Major Projects

Mr. McKendrick is responsible for the planning, development, and procurement of major public infrastructure projects. His p' 'tfolio includes hospitals, colleges, courthouses, a data centre, Pan/Parapan American Games infrastructure projects, and the civil infrastructure program.

Mr. McKendrick came to Infrastructure Ontario with over 17 years of experience in the provincial government. During that time, he gained expertise in finance and infrastructure project development and delivery. Before joining Infrastructure Ontario, he was an Assistant Deputy Minister in the Ministry of Public Infrastructure Renewal (now the Ministry of Infrastructure).

Mr. McKendrick has also served as the Director of the Corporate Finance Branch at the Ontario Financing Authority. During that time, he was involved in the financing of a number of infrastructure projects across various sectors, including asset-based and other financing structures.

Toni Rossi, Executive Vice President & Group Head, Real Estate Management

Ms. Rossi is responsible for Asset Management, Realty Services and Client Program Delivery. Ms. Rossi previously served as Senior Vice-President, Development and Project Services at Ontario Realty Corporation following twenty years of experience at two of Canada's largest real estate companies, Cadillac Fairview and Oxford Properties Group where she held numerous progressive positions in retail and office property management and development, corporate business re-engineering, national marketing and national property operations.

Over the years, Ms. Rossi has served the community on many industry, sport, and philanthropic boards and committees, including Habitat for Humanity Toronto, where she served as Chair of the Board and Chair of Toronto Women Build as well as Director of Toronto Real Estate Women (CREW). Ms. Rossi holds a BPHE (Hons) from the University of Toronto.

George Stewart, Executive Vice President & Group Head, Realty Planning & Development

George Stewart is responsible for land development, including strategic asset planning and sales and acquisitions.

Mr. Stewart has over 25 years of diverse experience developing commercial real estate across Canada and has held senior development roles with some of Canada's largest developers, such as Oxford Properties Group, Borealis Real Estate, Morguard Investments and Cambridge Shopping Centres.

Esther Zdolec, Senior Vice President, Human Resources

Esther Zdolec brings to Infrastructure Ontario more than 20 years of human resources experience from the public and private sectors. She has expertise in many different areas, including: HR strategy and execution, employee engagement, talent acquisition, people development, total rewards and HRIS, employee and labour relations, governance and compliance.

In her previous role, she led the HR and labour relations strategies for the acquisition of Candu Energy Inc. and headed up the transition when Candu Energy Inc. was acquired by SNC-Lavalin. Prior to joining SNC-Lavalin, Ms. Zdolec held progressive HR positions at Canada Life Assurance Company and the Ontario Lottery Corporation.

Ms. Zdolec holds a BA in Labour Management Relations from the University of Toronto, has her CHRP and other HR-related certifications from Rotman's School of Business, York University's Executive Program, and the Queen's University Human Resources program.

2013/14 FACTS & FIGURES

$52M
Total Net Revenue
generated from
land transactions

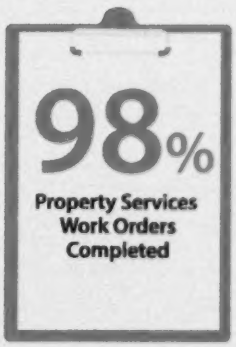
89
Total AFP Projects to date

>3000
Small Works Projects

>300
Leases Transactions

30%
Green House Gas Reduction

27%
Energy Conservation



98%
Property Services Work Orders Completed

350
Public Sector Loan Clients to Date

$6.2B
Advanced in Loans to Date

Footprint Reduction

32% Inside Toronto

40% Outside Toronto

CORPORATE OBJECTIVES

Infrastructure Ontario's Executive Management Team and the Board of Directors monitor the implementation of the commitments set out in the Infrastructure Ontario business plan through quarterly reporting. In fiscal year 2013-14, Infrastructure Ontario achieved all of its corporate objectives. Details on the objectives and the results can be found in the table below.

Corporate Objectives	2013-2014 Targets		Results
HIGH CLIENT SATISFACTION	Achieve 75% or higher rating to the question "How would you rate your overall satisfaction with the services provided by the Infrastructure Ontario staff?"	✓	Clients indicated satisfaction rating of 87% in the annual survey
HIGH PERFORMANCE	Six AFP projects at one of RFP, Commercial or Financial Close Performance Measure: • 5 completed - Met • 6 completed - Surpassed • 7 or more completed - Exceeded	✓	Six projects have reached RFP close in 2013-14
	AFP projects to be delivered within Treasury Board approved budget, including contingency reserve	✓	Seven projects have achieved substantial completion and are within budget
	$4.8 billion in loans outstanding at year-end; provide other levels of government, non-government and not-for-profit organizations with loans	✓	The Loan Program achieved $4.9 billion in loans outstanding at year-end
	Approved commercial projects to be delivered on time; transaction milestones reached in four commercial projects. Performance Measure: • 4 completed - Met • 5 -6 completed - Surpassed • 7+ completed - Exceeded	✓	Transaction milestones were reached in five commercial projects
	$24 million (net) in land sales for General Real Estate Portfolio (GREP)	✓	$52 million (net) in land sales for GREP closed in 2013-14, (exceeding target by $28 million)
	Building projects to be delivered on-budget and completed on-time:		
	• Less than 5% over (under) budget	✓	0.9% under overall budget
	• Achieve targeted substantial completion date 90% of the time	✓	91.4% within target substantial completion date
	Lease transactions to be completed on time, 90% of the time.	✓	95% completed on or before the current lease expiry date.

Corporate Objectives	2013-2014 Targets		Results
EXEMPLARY WORKPLACE	Improve overall response rate to Employee Satisfaction Survey • Corporate target is 75% level of satisfaction. 2013-14 goal is 65% (approximately a 14% increase over 2012-13) to progress to our target	✓	Received a rating of 66% for the objective statement, "I would recommend Infrastructure Ontario Infrastructure Ontario as a place to work" Top strengths included: • Pride in working for Infrastructure Ontario – 75% of participating employees responded positively • Understanding of Infrastructure Ontario's strategy and goals (79%) and understanding the relationship between the employee's job and Infrastructure Ontario's goals and objectives (77%) • Understanding the results expected in own job (79%) • Rating Infrastructure Ontario on being client-focused (76%)
PRODUCTIVE PERFORMANCE	By Q3 2013-14, Infrastructure Ontario will have evaluated and recommended operational productivity measures relevant to establishing its value for money to the Province	✓	Productivity measures were completed in Q3
EFFECTIVE STAKEHOLDER ENGAGEMENT	Engage and connect to Infrastructure Ontario's vendors Issue Infrastructure Ontario's biannual market update and market consultation through the Strategic Opportunities Committee	✓	The market update was issued in November 2013, in connection with the Canadian Council for Public-Private Partnerships annual conference
NEW OPPORTUNITIES	$763 million in new loan applications	✓	$907 million in new loan applications were received in fiscal 2013-14, 19% above target
	12 new projects, as directed by the Minister to Infrastructure Ontario, in the 2013-14 Letter of Direction Performance Measure: • 9 completed - Met • 10-12 completed - Surpassed • 12+ completed - Exceeded	✓	15 Letters of Direction received during fiscal 2013-14
RISK MANAGEMENT	Review and assess performance of the AFP project portfolio, with a focus on budget, schedule and post contract contingency (PCC). Develop a standard project review protocol to help improve future AFP delivery.	✓	In August 2013, Infrastructure Ontario published the AFP Track Record Review report completed by an independent third party Meyers Norris Penny (MNP)
	Restructure capital structure with Ontario Financing Authority (OFA) to better match debt (source of funds) with loans (use of funds) and mitigate risk from use of derivatives.	✓	OFA and Infrastructure Ontario have reached an agreement on a new structure to fund both short-term and long-term loans. The bylaws to facilitate the above changes have been approved by Infrastructure Ontario's Board in fiscal 2013-14.
	Review and assess credit risk policies, processes, and documents and, as necessary, revise to mitigate credit risk.	✓	Completed an external review of the lending program. An implementation plan was presented to the Risk Committee and the Board in March 2014
	Perform enterprise fraud risk assessment and, as necessary, revise internal controls to mitigate risk.	✓	Completed the initial phase of a fraud risk assessment.

OPERATIONAL PERFORMANCE & ACHIEVEMENTS

Alternative Financing & Procurement

In supporting Ontario's long-term infrastructure plan, Building Together, Infrastructure Ontario will continue to play a significant role in the delivery of large infrastructure projects in sectors such as transit, highways, health care, courthouses and education. Since 2006, the Province applied Infrastructure Ontario's alternative financing and procurement (AFP) model to 89 major projects valued at approximately $40 billion, saving taxpayers an estimated $3.5 billion. Infrastructure Ontario is North America's leading infrastructure partnership and project management agency.

AFP is an innovative made-in-Ontario model that employs public-private partnerships to finance and procure large, complex infrastructure projects. The model makes use of private sector resources and expertise to provide on-time, on-budget project delivery with the best utilization of government funds and public dollars.

In 2013, the track record of the AFP program was reviewed by an independent group (the accounting firm MNP). This review assessed the number of AFP projects completed on-time and on-budget, Infrastructure Ontario's effectiveness in developing estimates and the use of contingency budgets. The report examined the first 30 AFP projects to reach substantial completion (worth $12.92 billion) and concluded that 97% of projects were below estimated budget (an estimated $2.65 billion in savings). The report also found that 22 of the 30 projects were completed on time or ahead of schedule.

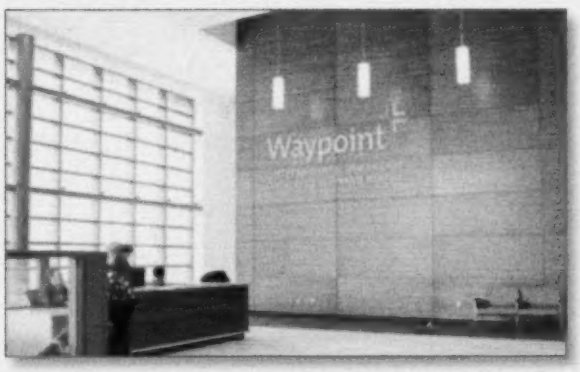
In the spring of 2013, The Conference Board of Canada released a report, *The Economic Impact of Ontario's Infrastructure Investment Program*, which assessed the contribution of Ontario's infrastructure investment program to the provincial economy. The report updated an earlier study issued by the Conference Board in 2010.

The report found that increased investment in infrastructure has a direct impact on the economy (on construction, for example) and more broad impacts spread throughout the economy (on industries that are direct suppliers and, ultimately, on all sectors of the economy through an increase in consumer spending).

The report estimated that each $1 invested in public infrastructure in Ontario raises gross domestic product by $1.14 in the near term. The report also concluded that Ontario's infrastructure investment and long-term benefits from public infrastructure spending adds over $1,000 to the average annual income of Ontarians in 2014. It also states that it lowers the unemployment rate by about one percentage point compared to what it would have been in the absence of these investments.

Infrastructure Ontario also participated in a nation-wide study of P3 practices conducted by the Conference Board of Canada. The study focused on P3 projects that have been procured or reached substantial completion since 2010. The subsequent report, *Delivering Value through Public-Private Partnerships at Home and Abroad*, indicated that 35 of the 42 projects were completed on time or ahead of schedule. According to the VM studies the average cost savings for P3 projects have been 13% compared to traditional projects.

In the fiscal year, seven of Infrastructure Ontario's major projects reached substantial completion:



SOUTH WEST DETENTION CENTRE

The South West Detention Centre is a new maximum security facility located in Windsor, Ontario. It has the capacity for 315 male and female inmates and houses general population, infirmary, and special purpose beds. This cost-effective facility was built to address health and safety issues and inefficiencies of design, technology and space by replacing older facilities.

QUINTE COURTHOUSE

In downtown Belleville, the Quinte Courthouse was completed in July 2013 and became fully operational in late August. This new facility consolidated the Superior Court of Justice and Ontario Court of Justice services for the County of Hastings. It houses attorneys, courts administration, the Victim/Witness Assistance Program, the Hastings County Law Association, Adult Probation and Parole, Children's Aid Society, Legal Aid Ontario, the John Howard Society, Salvation Army, and mental health workers all at one location. The new, six-storey building increases the number of courtrooms in the County of Hastings, provides better technology and security, and improves access for people with disabilities.

ROYAL VICTORIA REGIONAL HEALTH CENTRE

Following the expansion of Royal Victoria Regional Health Centre in Barrie in 2012, Infrastructure Ontario continued its work with the hospital to renovate and add two new operating suites, which were completed in fall 2013.

WAYPOINT CENTRE FOR MENTAL HEALTH CARE

The Waypoint Centre for Mental Health Care in Penetanguishene amalgamates the 160-bed Oak Ridge and 20-bed Brebeuf facilities. This new forensic mental health building offers a larger and more modern space for treatment and care of people with mental illness who have come into contact with the law. The construction project was completed in December 2013 and the facility opened for patient care in March 2014.

ST. JOSEPH'S HEALTHCARE HAMILTON

Completed in December 2013, the new hospital has approximately 800,000 square feet (74,300 square metres) of space, includes capacity for 305 inpatient beds, expanded outpatient clinics for psychiatry, diagnostic imaging and medical services, as well as innovative research and academic spaces. The new facility will better support patient and family-centered care.

THUNDER BAY COURTHOUSE

The new Thunder Bay Courthouse, located in the city's downtown south core, consolidates the Superior Court of Justice and Ontario Court of Justice, which previously operated in separate locations. The six-storey building has space for 15 courtrooms, including a multi-accused, high security courtroom, and four judicial conference rooms, including an Aboriginal Conference Settlement Suite. The design and materials used throughout the new courthouse were chosen to reflect Thunder Bay's natural environment.

ELGIN COUNTY COURTHOUSE

The courthouse project saw the renovation and restoration of the historic 1853 Elgin County Courthouse in St. Thomas and the incorporation of a three-storey 135,000 square foot (12,500 square metre) addition. The new facility has eight courtrooms and three conference/settlement rooms and consolidates the Superior Court of Justice and Ontario Court of Justice, which previously operated in separate locations. The courthouse complex was completed in February 2014 and features state-of-the-art technology, security, energy efficiency, and barrier-free accessibility.

TORONTO CONSTRUCTION ASSOCIATION 2013 "BEST OF THE BEST" AWARD

Bridgepoint Hospital redevelopment has been awarded the Toronto Construction Association (TCA) 2013 "Best of the Best" award in the large project category. Infrastructure Ontario and the Ministry of Health and Long-Term Care worked with Bridgepoint Hospital to redevelop the facility. The complex is a LEED-certified, 680,000 square foot (63,200 square metre) facility designed to provide care to individuals with complex chronic health conditions and to advance research and education.

OPP MODERNIZATION PROJECT RECEIVES C2P3 AWARD

SHIELD Infrastructure Partnership and Infrastructure Ontario were awarded a Silver National Award for Innovation and Excellence in Public-Private Partnerships, in the Infrastructure category, for the Ontario Provincial Police Modernization (OPPM) Project. The OPP Modernization project involved the construction of 18 new detachments, regional headquarters and forensic identification services units across Ontario. The facilities feature up-to-date amenities to better support the demands of modern police operations and meet the needs of the communities they serve.

The OPP project was the first of its kind to bundle a large number of smaller projects with various functions across the Province of Ontario. This approach was taken in order to achieve economies of scale and employ an alternative delivery approach, which would not have been feasible for each of the projects if done individually.

Infrastructure Ontario continues to deliver AFP projects in various sectors that are presently at varying stages of completion. Most notable are the following:

Municipal Transit Projects

Infrastructure Ontario continues to advise municipal governments in Ottawa and Waterloo Region and Metrolinx in the Greater Toronto and Hamilton Area (GTHA) regarding the procurement and delivery of light rail transit.

LIGHT RAIL TRANSIT IN OTTAWA

During 2013-14, Infrastructure Ontario provided procurement advice to the City of Ottawa and led the procurement process for the Ottawa Light Rail Transit (OLRT) project, now named the Confederation Line. The project is currently in the construction phase.

2013 C2P3 GOLD AWARD FOR TRANSPORTATION INNOVATION

In November 2013, Infrastructure Ontario, the City of Ottawa, and Rideau Transit Group were presented with a Gold Award for Transportation Innovation by the Canadian Council for Public-Private Partnerships for the Confederation Line infrastructure project. The award recognized the innovative procurement model and contracts developed by Infrastructure Ontario and the City of Ottawa to design, build, finance, and maintain the Confederation Line.

METROLINX TRANSIT PROJECTS

The Eglinton Crosstown LRT is being delivered through Infrastructure Ontario as an AFP project. Infrastructure Ontario is working with Metrolinx to manage all aspects of the procurement and delivery of the project. The Eglinton Crosstown is part of Metrolinx's regional transportation plan -The Big Move - to reduce congestion while offering reliable transit within the GTA. The project, which is currently at the Request for Proposal (RFP) open stage, consists of a 19-kilometre light rail line with 25 stops and stations, linking to bus routes, three subway stations, and various GO Transit lines.

UNION PEARSON EXPRESS LINE (FORMERLY THE AIR RAIL LINK)

The Union Pearson (UP) Express is a rail line extension to connect Toronto Pearson International Airport and Union Station in downtown Toronto. The project is currently in construction and is scheduled to be completed in time for the Toronto 2015 Pan/ Parapan American Games. Offering frequent, shuttle-type service with trains departing every 15 minutes, the UP Express will offer travelers another way to reach the airport. The service will be owned and operated by Metrolinx.

Highways

HIGHWAY 407 EAST – PHASE TWO

Infrastructure Ontario with the Ministry of Transportation has moved into the second phase of construction of Highway 407 East with the release of a request for proposals (RFP) to companies shortlisted to deliver the project. Phase two will extend the highway eastward from Harmony Road in Oshawa to Highway 35/115 in Clarington. With eight interchanges and a 10-kilometre north-south highway called the East Durham Link (EDL), which will connect Highway 407 East to Highway 401, it will help manage congestion, accommodate population and employment growth, and provide an emergency detour route for the Durham Region.

THE RIGHT HONOURABLE HERB GRAY PARKWAY (FORMERLY THE WINDSOR-ESSEX PARKWAY)

The Right Honourable Herb Gray Parkway is part of the Province's long-term transportation solution to improve the movement of goods and people through Canada's busiest gateway -- the Detroit-Windsor border. This $1.4 billion project is constructing 11 kilometres of six-lane, below-grade freeway which will extend Highway 401 to the future Detroit River International Crossing. The project includes the development of 300 acres (120 hectares) of green space that will be integrated with local parks and other protected natural areas, as well as 20 kilometres of recreational trails.

The project began in 2010 and is currently under construction. Although there was a setback resulting in the removal of numerous concrete girders, the parkway is expected to be open to traffic in late 2014. Landscaping and other minor works will be completed in 2015.

Pan/Parapan American Games Facilities

Infrastructure Ontario is working with TO2015 and other project partners to develop major infrastructure for the Toronto 2015 Pan/Parapan American Games. The following are the projects which are currently in construction phase:

CIBC PAN AM AND PARAPAN AM ATHLETES' VILLAGE

The Athletes' Village, located in the West Don Lands area of Toronto, will provide accommodations for 10,000 athletes, coaches and officials during the Games. Following the Games, the Village will be a new neighbourhood offering affordable rental and ownership housing opportunities for more than 300 families, residences for 500 George Brown College students, and a new YMCA facility. Infrastructure Ontario is overseeing the completion of this project and construction is at 86% complete and is scheduled to be ready in January 2015, well ahead of the Games.

CIBC HAMILTON PAN AM SOCCER STADIUM

The Pan Am Stadium project involves construction of a new stadium on the site of the former Ivor Wynne Stadium in Hamilton. The stadium will host the football (soccer) competition during the 2015 Games and then become a permanent home for the Hamilton Tiger Cats. The stadium will meet Fédération Internationale de Football Association standards and Canadian Football League standards, with the ability to host future Grey Cup games. The project is approximately 85% complete.

PAN AM/PARAPAN AM ATHLETICS STADIUM

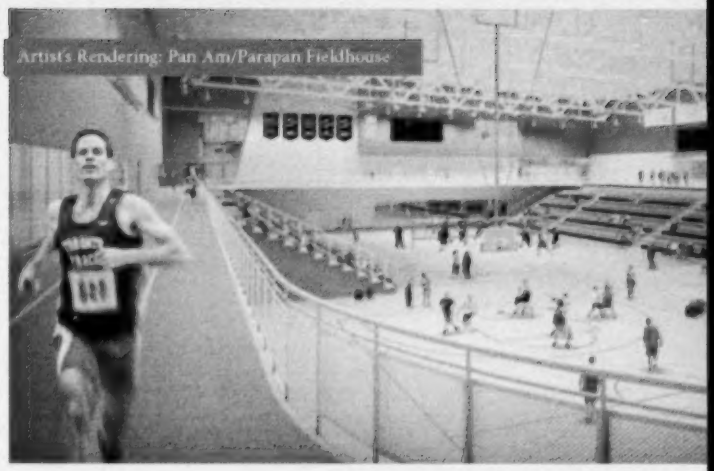
A new athletics stadium at York University is being constructed for the Games, featuring 3,000 fixed-seats and a 400-metre class one track. This facility is designed to Toronto 2015 Pan/Parapan American Games, International Association of Athletics Federations and Canadian Interuniversity Sport specifications. Following the Games, the stadium will be utilized by York University students, high-performance athletes, and local residents as a recreation, training, and competition venue. Construction, which is approximately 80% complete, began November 2012; the new stadium will open in summer 2014.

MILTON PAN AM/PARAPAN AM VELODROME

The velodrome being built in Milton will be the only one in Canada and will become home to Canada's cycling team. This 154,000 square foot (14,300 square metre), three storey facility will have a seating capacity of 2,500 and include a 250-metre indoor wooden track meeting all technical requirements of the Union Cycliste Internationale. It will also have three multi-use courts on the infield for basketball and volleyball, as well as a walking track for joggers/walkers. The new velodrome will be owned and operated by the Town of Milton and be known as the Mattamy National Cycling Centre. The facility is 75% complete and will open in fall 2014.

PAN AM/PARAPAN AM AQUATICS CENTRE, FIELD HOUSE, AND CANADIAN SPORT INSTITUTE ONTARIO

A new aquatics centre and field house are under construction at the University of Toronto Scarborough and are expected to be complete in July 2014. During the 2015 Games, the facilities will host swimming, diving, synchronized swimming, fencing, modern pentathlon, and sitting volleyball. The aquatics centre has two 50-metre, ten-lane swimming pools, a deep diving tank and a seating capacity of approximately 6,000 at Games time (legacy seating capacity 2300). The field house will have gymnasium space for training and competition, an indoor recreational track, and seating capacity of approximately 2,000 at Games time (legacy seating capacity 1400). After the Games, students, athletes, sporting groups, and community residents will have access to the pools, gymnasia, multipurpose program areas, and fitness and training facilities.


Artist's Rendering: Pan Am/Parapan Fieldhouse

MARKHAM PAN AM/PARAPAN AM CENTRE

This new aquatic and field house centre, currently under construction, will host water polo and badminton competitions during the Games. The centre will be open to community residents following the Games, where they can utilize amenities such as the 50-metre Olympic-sized pool, triple gymnasium, community all-purpose rooms, meeting rooms, and a two-level fitness centre. The facility is 98% completed and will be open in July 2014.

ETOBICOKE OLYMPIUM

The Etobicoke Olympium, located in Centennial Park, is being renovated and will be used as a training facility by Pan/Parapan Am aquatic athletes in summer 2015. The facility has an Olympic-size pool, a leisure pool, gymnasium, and fitness centre. The facility is set to reopen in July 2014 and will continue to serve the local community after the Games.

PAN AM FIELD HOCKEY CENTRE

This new site of two fields is located on University of Toronto, St. George campus. It will be Ontario's first dedicated international field hockey venue and will meet international specifications. It will become the centre of excellence for national and provincial teams, as well as provide a dedicated site that will host all levels of competition from international events to local grassroots leagues. The facility is 99% completed and will be open in July 2014.

Post-Secondary Education

HUMBER COLLEGE

Infrastructure Ontario, the Ministry of Training, Colleges and Universities, and Humber College are delivering an AFP project to design, build, and finance Humber College's new Learning Resource Commons. This six-storey, 260,000 square foot (24,155 square metre) facility will become the new main entrance to the college's North Campus and will house a new library, study spaces, a centralized hub for student services, a student gallery and the School of Liberal Arts and Sciences and college administration. Construction is progressing as planned towards achieving substantial completion in March 2015.

Artists Rendering - Sheridan College Hazel McCallion Campus

SHERIDAN COLLEGE

Infrastructure Ontario and the Ministry of Training, Colleges and Universities are working together with Sheridan College to procure and deliver the second phase of the Sheridan College Hazel McCallion Campus project. This facility expansion will enable the college to increase the range of the programs offered at the campus, accommodate up to an additional 3,200 full-time students, and provide state-of-the-art classrooms, computer laboratories, a creativity centre, faculty offices, and a gallery space to celebrate student creativity and innovation. The project is currently at the RFP closed stage.

Real Estate Manager

The Ontario government owns one of Canada's largest and oldest real estate portfolios. On behalf of the Minister of Infrastructure, Infrastructure Ontario has responsibility for the strategic management of this portfolio. Infrastructure Ontario provides a broad range of integrated real estate services to maximize the value of public lands and buildings, including strategic portfolio management, property management and project management for the provincial government in partnership with its service providers, CB Richard Ellis (CBRE), SNC-Lavalin, and MHPM.

Infrastructure Ontario's Real Estate Management (REM) division provides strategic and operational management services to MOI for the General Real Estate Portfolio (GREP). REM delivers services through three functional departments: Asset Management, Realty Services, and Client Program Delivery (CPD).

Asset Management works to maintain asset value integrity of GREP by developing and executing long-term asset and capital investment plans, which include risk management. In addition to project initiation, scoping, and delivery associated with capital planning, asset management also manages and delivers ministry project work.

Realty Services manages real estate commitments by developing, recommending, and implementing real estate programs such as leasing, energy conservation and environmental initiatives.

CPD fosters client relationships with government ministries and agencies by leading the development of strategic ministry portfolio planning through functional programming, real estate options analysis, demand forecasting, change management, space planning, and ministry program project scoping and planning.

In 2013-14, Infrastructure Ontario managed 45.08 million rentable square feet (approximately 4.2 million square meters) of owned and leased buildings, 152,868 acres (approximately 62,000 hectares) of land and 5,124 buildings and structures on behalf of MOI, which included the following achievements:

- Over 3,000 projects for capital repairs, leasehold improvements, and small works alterations
- Consolidated results for all projects indicated that projects were delivered 0.4% under budget and 91.4% of the projects were delivered on time
- Relationships with 1,750 vendors and, under the Property and Land Management Services (PLMS) contract with CBRE, delivered 75,000 service calls
- Over 300 lease transactions were executed through interactions with over 200 landlords in 400 communities
- As of March 31, 2014, IO achieved a gross office footprint reduction of 32% of the one million square feet in Toronto and 40% of the 300,000 square foot target outside of Toronto

W. Ross Macdonald School

Infrastructure Ontario and the Ministry of Education reached substantial completion of the W. Ross Macdonald School's new residence building. Located in Brantford, the school is a residential school for the education of approximately 200 students who are blind/low vision, visually impaired or deaf-blind. The school provides a range of educational services to students from grade one through to secondary school programs, as well as an extensive Resource Services/Outreach program in support of students in district school boards.

Environmental Initiatives

Infrastructure Ontario is committed to helping the Government of Ontario reach its goals for reducing Green House Gas (GHG) emissions, reaching energy reduction targets, and meeting green building standards.

Energy Conservation in Government Buildings

In 2004, following the 2003 electricity blackout, the MOI enacted a mandate to reduce overall electricity consumption in government owned and operated buildings.

Originally, the target was a 10% electricity reduction by 2007 over a 2002/03 baseline for all provincial buildings and in 2007, the target doubled to a 20% electricity reduction by end of 2012 over the same baseline. A third-party validated report conducted in September 2013 indicated that a 27% reduction was achieved in MOI/ Infrastructure Ontario managed facilities and an overall reduction of 20.4% was achieved for all provincially owned facilities as depicted in Figure 1.

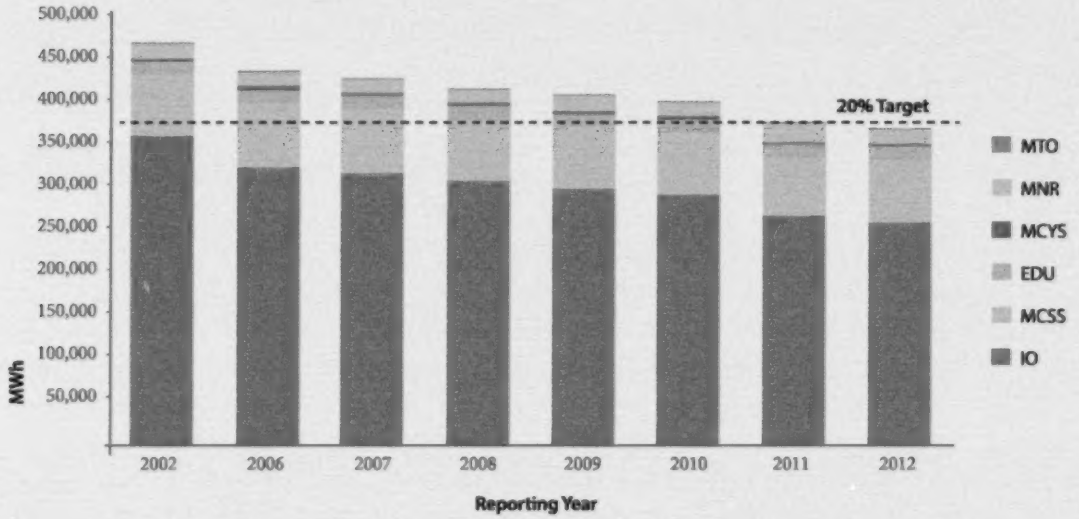


Figure 1: Electricity consumption by provincially owned facilities from 2002 – 2012.

In addition to energy efficiency measures to reduce GHG emissions in Infrastructure Ontario -managed facilities, Infrastructure Ontario also oversees all the other sustainability programs such as green procurement, water efficiency, green roofs, transportation programs including electric vehicle charging stations for the Ontario Government Fleet, and renewable energy and tenant engagement programs.

In 2013, Infrastructure Ontario developed a new target that has expanded the scope to include all fuel types (natural gas, propane, fuel oil). This new target is a 2% equivalent kilowatt hour (ekWh) reduction annually which better aligns with GHG targets.

Greenhouse Gas Emissions

Under the OPS Green Transformation Strategy and the Green Energy Act, the Ontario Government has committed to conserving energy and reducing greenhouse gas emissions (GHG) from its buildings compared to 2006 baseline levels. The targets for GHG are for a 19% reduction by 2014 and a 27% reduction by 2020. These targets align with the broader provincial targets of 6% reduction by 2014 and a 15% reduction by 2020 over a 1990 baseline. For the 2013 calendar year, Infrastructure Ontario/MOI has achieved a GHG reduction of 30%. Although Infrastructure Ontario has been aggressively pursuing energy opportunities, the phase out of coal on Ontario is also a contributor to GHG reductions.

Estimates indicate that MOI/Infrastructure Ontario is on track to meet the 2014 target as depicted in Figure 2.

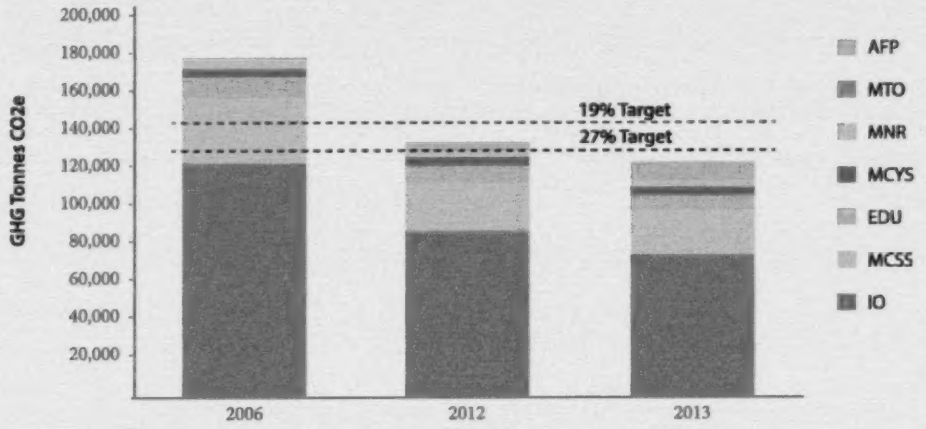


Figure 2: GHG emissions from provincially owned building

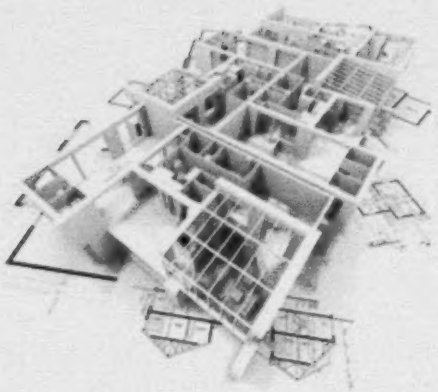
Data at the time of writing this report has a completeness of 90%. Numbers are subject to change.

Energy Efficient Buildings

It is clear that making buildings greener can have a significant impact on larger environmental goals. That is why there is a move towards green buildings. Green buildings take into consideration efficiencies and sustainable design regarding technology, construction and design practices, and operating systems and processes. Green buildings minimize their impact on the environment as they require less consumption of resources and disruption of the natural environment for their construction, conserve energy, decrease water consumption, produce fewer greenhouse gas (GHG) emissions, create healthier working environments and reduce waste.

The standard in green buildings is Leadership in Energy and Environmental Design (LEED). LEED ratings are recognized internationally in more than 132 countries and set the standard for green building design.

Continuing to build on the Province of Ontario's announcement in June 2007 that all future construction of government buildings would adhere to and achieve the internationally recognized LEED certification, Infrastructure Ontario has gone beyond the minimum LEED commitment and has also met standards for gold and platinum certification as well. To date several infrastructure projects have received LEED certification, including:



NEW CONSTRUCTION PROJECTS (AFP)

- Durham Region Courthouse - LEED Gold certified
- Ministry of Government Services Data Centre - LEED Gold certified
- Woodstock General Hospital - LEED Silver certified
- Bluewater Health, Sarnia - LEED certified
- North Bay Regional Hospital – LEED certified
- Forensic Services Complex – LEED Gold certified

INFRASTRUCTURE ONTARIO - MANAGED FACILITIES – NEW CONSTRUCTION & COMMERCIAL INTERIOR RENOVATION PROJECTS (NON-AFP)

- Ministry of Economic Development and Trade Collaboration Centre – LEED Silver for Commercial Interiors
- Infrastructure Ontario Corporate Offices – LEED Silver for Commercial Interiors
- Infrastructure Ontario Central Region Offices (MacDonald Block) – LEED Silver for Commercial Interiors
- Fort Frances -New Youth Justice Facility– LEED Silver for New Construction
- Thunder Bay -New Youth Justice Facility – LEED Silver for New Construction
- Ministry of Environment – LEED Platinum for Commercial Interiors
- Walkerton Clean Water Centre – LEED Gold for New Construction

60+ PROJECTS CURRENTLY UNDER CONSTRUCTION & TARGETING LEED CERTIFICATION INCLUDING:

- Pan Am Games Venues (AFP):
  - Athlete's Village – LEED Gold
  - Aquatics Centre, Field House and CSIO – LEED Silver
  - Hamilton Soccer Stadium – LEED Silver
  - Milton Velodrome – LEED Silver
  - York University Athletics Stadium – LEED Silver
  - Markham Centre – LEED Silver
- 18 OPP Detachments across the province – LEED Silver
- 6 Courthouses – LEED Silver
- 13 Hospital-based projects – LEED Silver

Looking ahead, Infrastructure Ontario will continue to give its full support to this initiative, integrating LEED standards into all new and ongoing construction projects.

Footprint Reductions

Part of the Realty Transformation Strategy (RTS) is to better utilize and maximize the realty portfolio. Two targets have been established to maximize and revitalize office space usage: generate an office accommodation footprint reduction of one million square feet (92900 square metres) in Toronto; and 300,000 square feet (27900 square metres) outside Toronto over 10 years starting April 1, 2012.

To date, Infrastructure Ontario has achieved a reduction of 25% of the one million square foot target for office space in Toronto. This target was achieved by not renewing third party leases that were naturally expiring and by consolidating ministry programs in a centralized location. In addition, Infrastructure Ontario has achieved a 42% of the 300,000 square foot target outside Toronto.

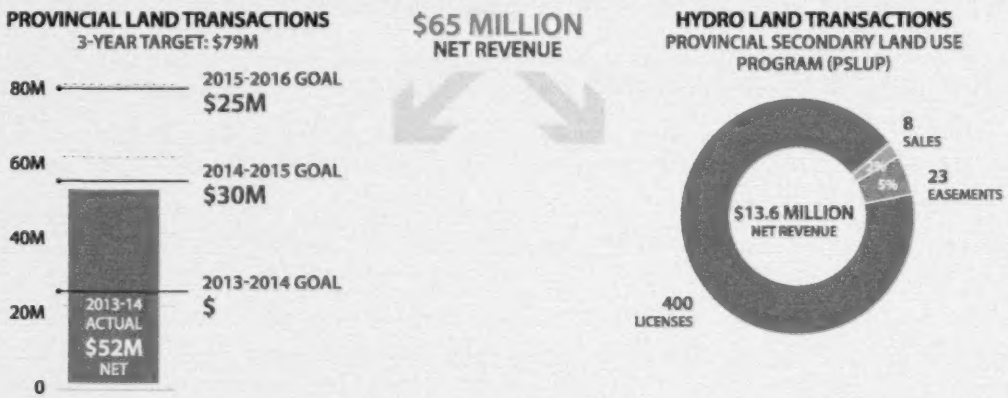
Realty Planning & Development

The Realty Planning and Development (RPD) division of Infrastructure Ontario leads strategic portfolio reviews, portfolio rationalization, alternate use planning, real estate development, and land transactions on behalf of MOI, and for other ministries and Crown agencies when directed by the Minister. The RPD teams are:

- **Portfolio Planning** - offering real estate advice, rationalization plans, and community portfolio plans
- **Development planning** - offering advice, optimal use analysis, planning approvals, and advice on official plans, zoning, and urban design
- **Land development** - providing advice and implementation on land development, financial modeling, and market sounding
- **Sales and acquisitions** - handling property sales and acquisitions for the Province, easements, and secondary land use program on hydro corridors

The RPD team made significant strides in 2013-14 managing the MOI portfolio by generating revenue through land and property sales, continuing to work on the Seaton Lands and Ontario Place projects, and with the introduction of the Open for Business initiative.

Infrastructure Ontario implemented a three year Realty Portfolio Plan with the goal of generating $80 million in revenue and reducing the footprint of the provincial building portfolio by one million square feet (92900 square metres). Infrastructure Ontario set a target of $24 million in revenue generation for the first year of the Realty Portfolio Plan. In 2013-14, a total of $52 million in provincial land transactions was achieved and an additional $13.6 million in net revenue was generated from the Provincial Secondary Land Use Program (PSLUP) for a total of $65 million in net revenue. In addition, a reduction in liability of $500,000 was generated.



In 2013-14 fiscal year, the RPD Team focused on the following key initiatives:

Land Development

Infrastructure Ontario is working closely with Metrolinx to leverage its real estate assets to build new communities near transit infrastructure. In addition to generating non-fare sources of revenue from the sale of development rights, these projects help drive ridership by locating people closer to transit stations, as well as creating better environments and access to amenities for Metrolinx customers. Initial land development projects include the Port Credit GO station, Midtown Oakville GO station, and the Eglinton Crosstown LRT project.

Ontario Place

Infrastructure Ontario is assisting MOI and sponsoring Ministry of Tourism, Culture and Sport (MTCS) to develop a long-term implementation plan for the revitalization of Ontario Place. As a critical first step in re-imagining this provincially significant waterfront asset, Infrastructure Ontario continues to be instrumental in assisting MOI and MTCS' development of a phasing strategy that will lead to the realization of a new provincial flagship park and waterfront trail wherein a portion of the park is to coincide with the Pan/Parapan American Games. Concurrent with the development of the waterfront park and trail, Infrastructure Ontario is helping MOI and MTCS secure approvals and implement the required environmental assessment for the broader revitalization of the 60 hectare site.

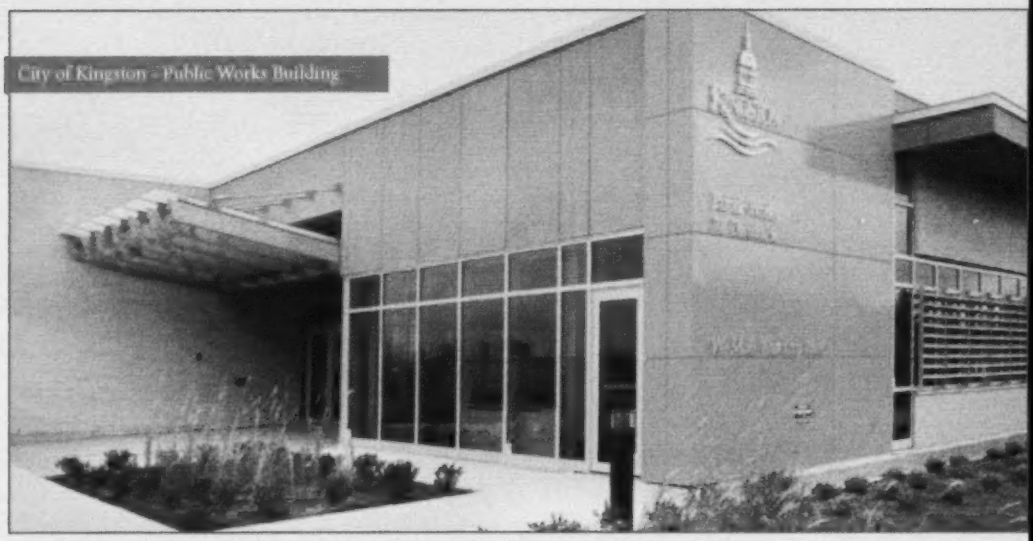
Artists Rendering - Ontario Place Park and Trail

Seaton Land Development

Infrastructure Ontario has been working with Durham Region and private landowners to finalize the development agreements to unlock the value of 1,500 acres (600 hectares) of provincial lands located in Seaton. Seaton will be a planned sustainable community located on approximately 3000 hectares of land. This new community will be home to up to 70,000 new residents. A Marketing Disposition Strategy has been established for the provincially-owned lands in Seaton and a marketing campaign is anticipated to commence in April 2015.

Open for Business

As part of the provincial government's Open for Business initiative, Infrastructure Ontario worked with MOI and the Ontario Not-for-Profit Network (ONN) to provide not-for-profit corporations access to Infrastructure Ontario's Realty Disposal Publication, a Web-based list of surplus provincial properties and surplus properties submitted by public entities including the federal government, municipalities, and school boards. Launched in April 2013, the ONN registry enables not-for-profit corporations to access listings for and express interest in purchasing surplus provincial properties prior to their being placed on the open market.



City of Kingston - Public Works Building

The Loan Program

Infrastructure Ontario's Loan Program provides affordable financing to help renew public infrastructure and deliver value to customers and residents across Ontario. Long-term affordable financing is available to eligible sectors in the province including municipalities, municipal corporations, housing providers, universities, community health and social services hubs, and long-term care homes.

Since 2003 the Loan Program has been supporting the development of public infrastructure, contributing to economic growth and prosperous communities across the province.

As of March 31, 2014, Infrastructure Ontario had advanced almost $6.2 billion in financing to nearly 350 public sector clients across Ontario. Since its inception, the Loan Program has helped finance more than 1,940 projects - ranging from the revitalization of roads, bridges, recreation complexes, and affordable housing to the purchase of assets such as fire trucks and energy efficient street lighting - that are valued at over $11.5 billion.

The 2013-14 fiscal year marked the tenth year of operation for the Loan Program. Over the year, Infrastructure Ontario received applications for more than $907 million and approved financing for $817 million to eligible public sector clients. Although municipalities remain the largest single group of successful borrowers accessing the program, other eligible sector clients such as housing providers, municipal business corporations, and universities are strongly supported.

Infrastructure Ontario received loan applications from 58 municipalities during the year. The first successfully executed application for community health and social services hubs also received an advance to support the government's initiative to co-locate health and social service organizations.

Loan Program Results as of March 31, 2014

- The total value of Infrastructure Ontario loans approved and executed at the end of 2013-14 was $7.18 billion, of which over $6.16 billion had been advanced.
- 106 loan applications with a value of $907.3 million were submitted in fiscal 2013-14. This represents an increase of approximately 15% over the previous fiscal year.
- Of the total application value of $907.3 million in 2013-14, $385 million was from first time applicants.
- More than 350 public sector clients have received financing from Infrastructure Ontario since the Loan Program's inception.

Commercial Projects

The Commercial Projects (CP) group leverages private sector partnerships and investments to help generate revenue, reduce costs, and create efficiencies in how public services are delivered. The division supports opportunities to employ private capital and expertise in the delivery of economic development projects and undertakes commercial transactions on behalf of the Province that require complex negotiations with the private sector.

The CP group develops, evaluates, structures, and negotiates commercial transactions on behalf of the government. Transactions may be linked to economic development investments by the government, alternative service delivery opportunities, and divestment of government assets. The CP team provides a wide range of advisory and negotiation services to clients, overseeing projects from planning and due diligence through to transaction and implementation.

Commercial Projects Performance 2013-14

The Commercial Projects group serves a variety of clients in multiple sectors across the broader public sector and services are charged to the client on a cost recovery basis. Some of the projects secured and managed by the division in 2013-14 have included the following:

- Providing advice and services related to ServiceOntario's "Delivery Model for Electronic Business Registration Services (ONBIS)" initiative
- Leading negotiations on possible temporary use options at Ontario Place with Live Nation
- Supporting the Ministry of Northern Development and Mines with the creation of a development corporation for the Ring of Fire
- Negotiating the second phase of tolling operations for the 407, on behalf of the Ministry of Transportation

Although the CP group is responsible for project management and direction they draw on expertise from various other groups within Infrastructure Ontario to advance projects. Specific objectives achieved by the group in the 2013-14 year included the following:

- Developed and implemented interim time-tracking system for projects
- Established a shared knowledge library of templates, industry analysis, and transaction-specific documents to ensure quick and organized access to transaction enabling tools/analysis
- Developed key Commercial Project specific templates and analytical tools to ensure best practice and efficient delivery of services

CONTINUOUS IMPROVEMENT

Infrastructure Ontario is committed to carry out continuous improvement initiatives across all areas of its business. Continuous improvement initiatives focus upon streamlining and improving services and processes in order to grow and develop capabilities and practices and improve upon Infrastructure Ontario's deliverables. In 2013-14, Infrastructure Ontario undertook 22 improvement initiatives, both large and small, to improve the way in which Infrastructure Ontario executes projects and fulfills its mandate. Some of the improvements are in areas of Value for Money (VFM) assessment, AFP enhancements, audit recommendations, and reporting processes.

Value for Money (VFM) Refresh

Infrastructure Ontario undertakes VFM assessments to compare the cost of delivering a project under the traditional project delivery model with the AFP model and determine which model provides the lower estimated project cost. An infrastructure project will be procured by Infrastructure Ontario using the AFP model only if a VFM assessment demonstrates that the value of the AFP model outweighs that of the traditional model and delivering the project through AFP provides value for money to the Province.

In undertaking VFM assessments, Infrastructure Ontario relies on the expertise, professional input, and judgment of experienced professionals from the construction industry, risk experts, financial advisors, capital market advisors, budgeting experts, and staff from other government agencies.

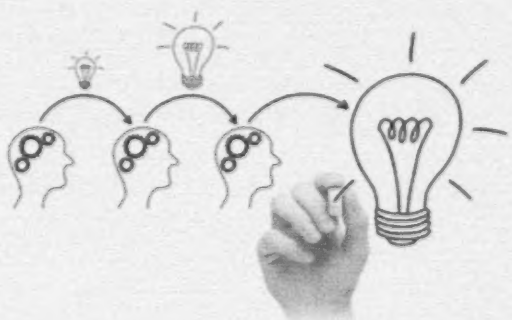
During the year, Infrastructure Ontario began a review of its processes regarding VFM calculation and implemented improvements to promote transparency, clarify rationales and definitions for identified risks, and obtain sponsoring ministry input and feedback at the beginning of each assessment. Overall, Infrastructure Ontario's increasing experience with the VFM process and its growing body of supportive data is enhancing its value and demonstrating clear evidence regarding the benefits of AFP innovation.

AFP Enhancements

In this past year, Infrastructure Ontario participated in two third-party research projects that looked at the value of the AFP delivery model. A Conference Board of Canada study assessed the cost and time performance of AFP projects in Canada. The report concluded that most projects in Canada have been successfully delivered on time and demonstrated cost savings of 13% over the traditional delivery model. In addition, the Canadian Council for Public Private Partnerships released a study that investigated the economic benefits of using the AFP delivery model and found that AFP delivery creates billions of dollars in income and employment and cost savings for taxpayers.

Infrastructure Ontario constantly looks for ways to improve its AFP model to best support its track record for on time and on budget project delivery, and to support the needs of its stakeholders. Infrastructure Ontario regularly meets with industry partners and stakeholders to better understand issues and concerns and implements improvements to address those concerns.

Improvements to contract and procurement practices require that proponents submit a procurement plan and commit to following applicable laws and regulations. Proponents are also encouraged to work with general contractors to augment local knowledge. Once a proponent is selected as a project consortium, it is required to report on its compliance with Ontario laws, regulations and codes and to meet high standards for procurement practices, design, and construction.



Further improvements were made involving workforce, requiring that qualified consortia propose a plan regarding apprentice use to increase the participation of registered apprentices in construction projects.

In addition, Infrastructure Ontario will require successful bidders to implement Certificate of Recognition health and safety standards to reduce accidents and injuries.

To add value to large and complex transit projects such as the Eglinton Crosstown, successful consortia are required to conduct job and supplier fairs, allowing local residents and suppliers the opportunity to participate in local projects. Infrastructure Ontario is also requiring proponents to demonstrate flexibility and create opportunities for local developers to develop projects at select transit locations.

Audits & Lessons Learned

In 2013-14, audits of Infrastructure Ontario programs were commenced by the Auditor General for the Loan and AFP programs, the Ontario Internal Audit Division (OIAD) for the realty program, and Infrastructure Ontario followed its scheduled internal audit plan. In addition, Infrastructure Ontario regularly conducts project-specific lessons learned assessments. Moving forward, Infrastructure Ontario will receive, assess, and prepare implementation plans for the recommendations from the Auditor General, OIAD and internal audits and lessons learned assessments.

Reporting Improvements

Fiscal 2013-14 saw an improvement in the reporting process between Infrastructure Ontario and MOI. Infrastructure Ontario established a new corporate dashboard as well as dashboards for each of its business units. There were also enhancements made to risk reporting with quarterly reports on risk presented to the Board and MOI. Improvements were also made to the quarterly reporting format and content. Infrastructure Ontario/MOI also established a monthly partnership meeting with MOI to review quarterly reporting and to have strategic discussions.

Real Estate Service Provider Contract Governance

Throughout fiscal 2013-14 all real estate outsourced service provider contracts were reviewed and the governance structure was enhanced by creating cross-functional work streams. The general contractor Vendor of Record (VOR) was established replacing the source list and a re-focused vendor performance management system was instituted.

INDUSTRY PARTNERSHIPS

Industry partnerships and stakeholder relations have continually been a priority for Infrastructure Ontario. Forming a better relationship with industry will help Infrastructure Ontario to deliver quality projects and support Ontario's economy.

In order to better work with our industry partners to deliver infrastructure projects, the organization embarked on a new, more strategic approach to engage stakeholders and has spent considerable time this past year developing a new industry partnership plan.

Infrastructure Ontario is organizing quarterly industry table meetings for Infrastructure and Real Estate, building upon the work of earlier Bundling and Strategic Opportunities Committees. Infrastructure Ontario will also host an annual industry update meeting to share with industry Infrastructure Ontario's priorities and annual market update that outlines the project pipeline.

Infrastructure Ontario will continue to publish an industry newsletter which provides regular and timely communication with the organization's stakeholders.

OUR WORKFORCE

The unique skills and diverse expertise of Infrastructure Ontario's employees are at the core of its success. Attracting, engaging, enabling, developing, and retaining talented people are a high priority across the organization.

Employee Engagement

Infrastructure Ontario works to create a workplace where employees are committed to organizational goals and are able to contribute their best effort, feel challenged and engaged, and continue to grow and develop. Infrastructure Ontario's annual employee survey, which serves as one measure of engagement and enablement, achieved an 88% participation rate in January 2014. The survey found that three quarters of the workforce feel proud to work for Infrastructure Ontario and four out of five employees understand Infrastructure Ontario's strategy and goals and what's expected of them in their roles. Areas that staff identified for improvement included training and career development and recognition. Company and divisional action plans are in place to address areas where such attention is needed.

Infrastructure Ontario encourages employee participation and communication through regularly-scheduled employee drop-in sessions hosted by members of the executive team, as well as through an Employee Advisory Council comprised of representatives from all divisions.

Diversity & Accessibility

In the past year, Infrastructure Ontario focused upon its commitment to accessibility and upon implementing the objectives of the Accessibility for Ontarians with Disabilities Act, 2005 (AODA). Infrastructure Ontario updated its accessibility policy and accessibility plans, and delivered training to all staff on the requirements of the Act and Integrated Accessibility Standards Regulations (IASR).

COMMUNITY INVOLVEMENT

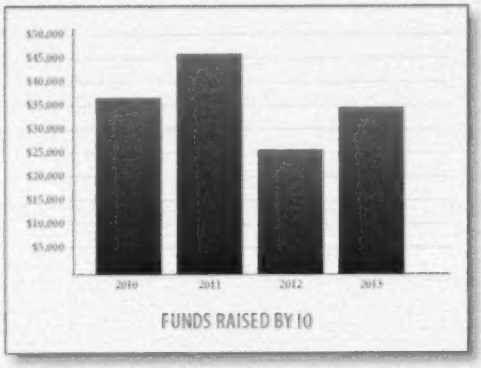
Infrastructure Ontario and its employees care about the sustainability of the environment and vitality of the communities in which they live and work. Infrastructure Ontario employees contribute to communities across the province through volunteering, fundraising, and donations.

Employee Giving

Each year Infrastructure Ontario employees raise funds for, and generously donate to, local communities through Infrastructure Ontario Gives Back (IOGB), an employee-led committee that promotes a philanthropic culture at Infrastructure Ontario and encourages staff to take part in fundraising activities to support different charitable organizations. This year, IOGB and employees coordinated fundraising and volunteer activities in support of the United Way, the Heart and Stroke Foundation of Canada, Habitat for Humanity, Federated Health Charities (which funds 16 Ontario health charities across the province), Toy Mountain, and various food banks.

United Way Campaign

Since 2011, Infrastructure Ontario employees have supported the United Way and raised over $100,000. In 2013, employees contributed a total of $34,059 for the United Way: $30,214 through cash and payroll deduction and $3,845 through a number of special events including an OPS Walk, CN Tower Climb and a Pumpkin Carving Contest.



In 2013, Infrastructure Ontario participated in United Way's Sponsored Employee Program for the first time: a program that involves the secondment of an Infrastructure Ontario employee to United Way for the duration of their fall campaign. Meghan Swinkels was selected to participate in this three month professional development opportunity. She was responsible for 17 United Way accounts across the financial sector and interacted with senior executives and leaders at these corporations. After completing training to become an ambassador for United Way, Meghan was tasked with liaising with the corporations to assist in the planning, execution, and evaluation of their annual workplace campaigns. She gained hands-on experience managing projects, planning events, and communication strategies. As a result of her involvement with this program, she was invited to sit on the Board of Directors for one of United Way's member agencies, For Youth Initiative, an agency that provides programming and mentorship for at-risk youth in Toronto.

Fundraising & Volunteering

In addition to the United Way, Infrastructure Ontario employees support a variety of charities. A few key initiatives in 2013-14 included:

Holiday Season Toy and Food Drive

During the 2013 holiday season, Infrastructure Ontario employees donated 40 new toys/gift cards for the Salvation Army's 2013 Toy Mountain campaign and non-perishable food items were given to Toronto's Scott Mission.

FoodShare

Infrastructure Ontario's Portfolio Planning team coordinated its volunteer day and participated in the Good Food Box program at FoodShare Toronto. The team sorted and packed several hundred food boxes, which were delivered to daycares, apartment buildings, and churches across the city.

Big Bike Ride to Support the Heart and Stroke Foundation

Infrastructure Ontario's Transaction Structuring division raised $5,740 for the Heart and Stroke Foundation by riding the "Big Bike" through Toronto's financial core.

Habitat for Humanity

Habitat for Humanity Toronto Women Build – 13 Infrastructure Ontario women raised over $7,000 and participated in the build of 6 homes on Acme Blvd. in Toronto.

Infrastructure Ontario Donates Refurbished Laptops to Community Children's Programs

Infrastructure Ontario's IT staff, in partnership with Infrastructure Ontario Gives Back, donated 10 refurbished laptops to Toronto area children's community programs. Five were given to the Toronto District School Board and another five to Eastview Boys and Girls Club.

Second Harvest

Infrastructure Ontario's Development Planning team used a volunteer day together at Second Harvest, where they prepared 1,500 packages for the Toronto Taste event held at the Royal Ontario Museum.

Holiday Toy & Food Drive

Food Share Toronto

Big Bike Ride
Heart & Stroke Foundation

Habitat for Humanity
Women Build 2013

IO Donates Refurbished Laptops to Community Children's Programs!

MANAGEMENT DISCUSSION & ANALYSIS

Infrastructure Ontario is a Crown corporation reporting to the Minister of Infrastructure (Minister) and is classified as an Operational Enterprise Agency in accordance with the Agency Establishment and Accountability Directive. Infrastructure Ontario is governed by a Board of Directors pursuant to a Memorandum of Understanding with the Minister that sets out Infrastructure Ontario's accountability framework.

At March 31, 2014, Infrastructure Ontario had three lines of businesses delivering results to public sector clients. Project Delivery manages the delivery of public infrastructure projects by leveraging private sector partnerships and investments to reduce costs and create efficiencies as well as ad hoc Commercial Projects. Lending provides long term financing to eligible public sector and not-for-profit clients to help renew and build infrastructure. Real Estate Management and Planning provides strategic and operational management services to the Ministry of Infrastructure (MOI) for the General Real Estate Portfolio (GREP), including advising on the acquisition of assets and sale of surplus assets.

Infrastructure Ontario's business lines are supported by professional staff in Human Resources, Legal Services, Procurement and Program Management, Business Strategy and Communications, Transaction Finance, Corporate Finance and Treasury, Information Technology, and Risk Management.

The Agency is also the financial manager of the Crown owned and leased portfolio that is the responsibility of the Minister, the GREP.

This Management Discussion and Analysis (MD&A) is intended to provide an overview of Infrastructure Ontario's financial activities for the year ended March 31, 2014 and should be read in conjunction with the audited financial statements for the year ended March 31, 2014 and related notes.

Risk Management Policies, Processes & Standards

Infrastructure Ontario's Enterprise Risk Management (ERM) Policy outlines a framework for risk management, including an overall approach to identifying, assessing and managing organizational risk. The policy describes the key elements of the ERM Program, including the governance structure, reporting and monitoring requirements and the roles and responsibilities of key stakeholders.

Risks are categorized into three categories:

- Strategic Risks include mandate, business environment, reputational and organizational risks arising from the external environment in which the Agency operates. These risks require the Agency to monitor the external factors and to respond in order to mitigate their effect on the Agency. Strategic risks are managed through the risk management governance process including the Board of Directors, the Audit Committee and the Management Committees.
- Operational Risks include people, process, technology, security and catastrophic, legal and regulatory risks. Operational losses can result in financial loss, but more importantly impact the ability of the Agency to achieve its corporate objectives and may impact Infrastructure Ontario's reputation. Operational risks are managed through the business units and the management committees.
- Financial Risks include credit, liquidity, capital adequacy, and pricing risks associated with Infrastructure Ontario's Lending program; and financing and market risk associated with the procurement and Project Delivery.

Infrastructure Ontario has a structured process to ensure the quality and consistency of risk management activities are reported to the Board.

- An ERM report is provided quarterly to management and the Audit Committee.
- The Audit Committee reviews the ERM policy annually to ensure it continues to be appropriate and reflect best practices; Board approval is required.
- The Risk Committee reviews the Credit Risk Policy, Capital Management Policy and the Asset Liability Management Policy annually; Board approval is required.

- The Board reviews and approves all major projects at milestone dates; the Investment Committee of the Board reviews complex projects requiring in-depth review prior to the Board review.
- The Board reviews updates to all project risks.
- The risk register is updated annually by the Risk Management and Internal Audit department with extensive participation from senior management across the organization. The Risk Management and Internal Audit department is responsible for the ongoing identification and monitoring of risk and to identify key performance indicators for reporting and monitoring to senior management, the Audit Committee and the Board.
- An ERM report is provided quarterly to management and the Audit Committee.
- The risk register is utilized by Internal Audit to update the rolling three-year Internal Audit Plan. The Internal Audit Plan includes quarterly reviews of operational controls to ensure compliance against set policies and procedures. It also incorporates a strategic risk-based approach to the internal audit role.

Key Risks

i) Corporate

BUSINESS CONTINUITY

Business continuity risk is the risk that Infrastructure Ontario will not be able to operate in the normal course. This risk is significant due to the fact that Infrastructure Ontario is the landlord to the Ontario Public Service. A business continuity plan enables critical services or products to be continually delivered to clients.

The Risk Management and Internal Audit department is tasked with overseeing the development of an Integrated Business Continuity Plan. The integrated plan would be used in the event of loss of access to any of Infrastructure Ontario's offices. An updated plan was initiated in 2013-14 for completion in September 2014. Once implemented, the department will monitor the performance of the plan, assist in the maintenance of the plan, and identify any issues that need to be resolved.

CONSTRUCTION INDUSTRY CAPACITY

Infrastructure Ontario is a dominant player in Ontario's construction procurement market and a significant player in the Canadian infrastructure market. Infrastructure Ontario engaged the Construction Sector Council in fiscal 2011-12 to provide an outlook for construction markets in the province that directly and indirectly affect both large-scale projects and commercial and institutional building. Research presented in the report reviews conditions in labour, financial, material and equipment markets, and assesses the capacity of suppliers to manage the demands of new infrastructure construction.

The report illustrates that market conditions are generally favourable, but that skills shortages are a risk to capacity in the construction industry. Much of the non-residential construction (including most of Infrastructure Ontario's projects) is in the Greater Toronto Area, and plans for new projects in this region are likely to test the capacity of labour markets. However, skills shortages already exist in Northern and Southwestern Ontario. The report recommends that to succeed, future projects must include initiatives that will add to the province's skilled workforce.

Infrastructure Ontario continues to stage its projects to ensure that there is sufficient industry capacity before going out to market.

REGULATORY

Regulatory risk is the risk related to the consequences of failing to comply with legislation, regulations, directives and policies in executing its operations. Infrastructure Ontario is an Operational Enterprise Agency of the Province of Ontario, and is required by statute and Memorandum of Understanding (MOU) to comply with certain regulations in its operations. In addition, Infrastructure Ontario is responsible for the implementation of diverse government programs and policies which adds another layer of regulatory compliance. Infrastructure Ontario investigates and takes the steps necessary to successfully manage a wide spectrum of requirements, such as duty to consult, heritage and culture, accessibility, security, and environmental considerations.

ABILITY TO ATTRACT & RETAIN PROFESSIONALS

Infrastructure Ontario's success and ability to deliver value are dependent on the expertise, experience and efforts of its professional staff. Competition for personnel with the necessary qualifications is intense, with the added constraint of the compensation restrictions imposed by the Government of Ontario. It is expected that competition for qualified professionals will continue to increase. Should Infrastructure Ontario be unable to attract and retain professionals that meet the desired level of skills and ability, Infrastructure Ontario's ability to meet the Province's mandate may be jeopardized.

ii) Project Delivery

PROJECT FINANCING RISK

AFP projects are financed by the project consortium with debt financing. Interest rates impact the profitability of a project. There can be no assurance that the project bidders will be able to finance AFP projects on terms that are favourable to the Province. As well, restricted debt markets could affect the availability of debt financing.

Infrastructure Ontario seeks to mitigate this risk in a variety of ways including, but not limited to, the use of milestone and substantial completion payments, when applicable, by offering market-proven risk mitigation tools such as the Indicative Credit Spread Reset (ICSR) process, rigorous financial due diligence at the RFQ and RFP stages and by continuing to maintain an open and responsive relationship with the various bank and bond stakeholders.

PROJECT RISK

All AFP projects in the construction and transaction phases are required to employ project controls and risk management procedures consistent with guidelines and requirements developed by Infrastructure Ontario following best practices and tailored specifically to AFP projects.

These guidelines and requirements are set out in the MOU, Project Charter, and Project Implementation Plan (PIP) executed for each project by Infrastructure Ontario and the co-sponsor or ministry (in the case of a public works project).

Infrastructure Ontario's project controls, which are applicable to all projects, focus on the following areas:

- Change management (contract and scope change controls),
- budget and cost management (including contingency management),
- project reporting, and
- external communications.

RISK EVENTS

Risk events that may negatively affect a project's success, during either the transaction or construction phase, can come in many forms. Effective management of risk events requires their prompt identification and reporting to the project participants responsible for managing risks. Various project documents (e.g., Project Agreements and PIPs) require the project participants responsible for delivering the project to report risks, to assess their potential impact on the project and to develop plans to control or mitigate the risk. Through various established project forums (e.g., Transaction Phase Committee, Construction Committee, Project Works Committees, Joint Building Committees), risks and their potential impacts and mitigation plans are discussed to ensure they are being properly managed. Infrastructure Ontario holds monthly Transaction Phase Committee and Construction Committee meetings attended by senior management and project delivery team members to review the project status, risk management, schedule performance, contingency status, stakeholder issues and budget/cost status of all projects. The standard monthly reporting template forms the basis of the reports. This process ensures that appropriate and timely action is taken on issues and risks as they arise.

POST CONSTRUCTION OPERATIONS

For AFP projects with a maintenance component, there are a number of operational risks, such as:

- Ongoing compliance with Output Specifications
- Managing the payment mechanism when there are service and availability failures, and
- Issues with life-cycle administration and "hand-back to the owner" requirements

Infrastructure Ontario has undertaken efforts to mitigate these risks. For example, Infrastructure Ontario's project delivery teams are available to provide project owners with expert advice following substantial completion. Moreover, a division has been established to provide leadership in managing post-construction contracts through the maintenance period for all projects delivered under the AFP model.

iii) Lending

CREDIT

Credit risk is the risk of a financial loss if a borrower does not fully honour its contractual debt obligation to Infrastructure Ontario. Credit risk is one of the significant risks facing the Agency in the normal course of business. Infrastructure Ontario is exposed to credit risk through its lending activities and transactions. The sources of Infrastructure Ontario's credit risk, as well as the associated risk mitigation strategies, are discussed in note 15 of the financial statements.

Infrastructure Ontario's credit risk assessment and rating systems are overseen by Management's Credit Review and Investment and Risk Management Committees (loans over $25M). These management committees along with the Risk Committee of the Board of Directors and are an integral part of a comprehensive credit risk oversight framework.

The sectors served by Infrastructure Ontario's Loan Program are:

- Municipalities and Local Service Boards
- Universities and Affiliated Colleges
- Municipal Corporations
- Not-for-profit Long-term Care Facilities
- Not-for-profit Arts and Training Facilities
- Not-for-profit Social and Affordable Housing
- Not-for-profit Hospices
- Community and Social Services Hubs
- Aboriginal Health Access Centres
- Sports and Recreation Centres
- Power Generators and Direct Energy
- MaRS

The financial viability of the borrowers and compliance with their loan covenants are monitored on an ongoing basis in a manner commensurate with the related risk. Lower risk loans with tax base revenue or regulatory revenue are reviewed annually. All other loans are reviewed quarterly. The review is intended to determine if there are loans that are at risk of being in default – before they are in default. Such loans are added to a watch list and discussions are held with the borrower.

In these cases, the Credit Risk department prepares a detailed monitoring report each quarter to track the status of at-risk obligors and the corrective measures undertaken. Each quarter, Management's Credit Review Committee and the Risk Committee of the Board review the action plans and monitor reports of obligors that have loans at risk or in default.

INTEREST RATE

Interest rate risk arises from differences in the timing of principal and interest cash flows between assets and the liabilities which fund them. The severity of the risk is dependent on the size and direction of interest rate changes and on the size and maturity schedules of mismatched positions. Details of the sources of Infrastructure Ontario's interest rate risk exposure as well as associated risk mitigation strategies are discussed in note 15 of the financial statements.

LIQUIDITY

Liquidity risk is the risk of not having access to sufficient funds or liquid assets to meet both expected and unexpected cash commitments. Liquidity risk arises when Infrastructure Ontario is unable to access funds to meet scheduled loan advances or debt and interest repayments as they come due. Liquidity risk arises from mismatched cash flows related to assets and liabilities as well as the non-collectability of its loan portfolio. Details of the sources of Infrastructure Ontario's liquidity rate risk exposure as well as associated risk mitigation strategies are discussed in note 15 of the financial statements.

In 2009, Infrastructure Ontario established the ability to borrow directly from the Province of Ontario and has since borrowed for its long-term funding needs through the Ontario Financing Authority (OFA).

iv) Real Estate Management & Planning

PROPERTY DISPOSALS

Local market conditions, municipal zoning, heritage designations and environmental issues or zoning restrictions may limit the best use of properties identified for disposition.

ASSET MANAGEMENT

Infrastructure Ontario has outsourced the day-to-day management and procurement of facility operations and leasing services for properties in MOI's portfolio. The Master Services Agreement (MSA) with the service provider prescribes the level of service which is tied to a comprehensive performance framework with the service provider fee at risk.

Government constraints are reducing the funding available to maintain the prescribed service levels established in the MSA. This increases the risk of failure for both Infrastructure Ontario and the service provider in the quality of service delivered to the property tenants. Infrastructure Ontario mitigates the risk by working with the service provider to re-baseline service levels and amends the MSA to meet the funding limitations, however, some service contracts may be locked in for longer terms and have limited ability for adjustments.

PROJECT DELIVERY

Infrastructure Ontario delivers annually in excess of 1,100 construction and capital repair projects, including small works, on behalf of ministry programs and GREP. Infrastructure Ontario has outsourced project management to three service providers across four regions in the province. Through the MSA, key performance indicators have been implemented to ensure a high level of service, as well as on-time, on-budget project delivery.

Construction and capital repair projects frequently span multiple fiscal years. As well, typical project risks such as weather delays, labour disruptions and project scope changes could severely impact the completion of the project. The ministries' funding envelopes are approved only for the fiscal year in which the project is started – if projects cannot be completed in the fiscal year, there is no guarantee funding will be available to complete the project in the next fiscal year. To mitigate the funding risk for projects, Infrastructure Ontario developed a multi-year planning process to provide a more flexible pipeline of ready to go projects to replace delayed/stalled projects.

PORTFOLIO & ACCOMMODATION PLANNING

One of the biggest challenges is ensuring that ministry needs are considered within the broader MOI portfolio. Prior to a ministry receiving budget approval for new accommodation space related to a new project or program, Infrastructure Ontario will consider whether it can be accommodated within the existing MOI accommodation portfolio. Infrastructure Ontario also assesses whether ministry office space requirements meet the government standard of up to 180 rentable square feet per full-time employee and comply with the ministry space baseline.

On a longer-term basis, Infrastructure Ontario provides input to ministries' annual realty portfolio plans. This input covers recommendations for leased premises, consolidation opportunities, and better utilization of the individual ministry and MOI portfolio. Infrastructure Ontario also works with ministries on long-range program planning for special purpose facilities.

ENVIRONMENTAL MATTERS

Environmental and ecological related directives and policies have become increasingly more rigorous in recent years. Under various federal, provincial and municipal laws, Infrastructure Ontario, as the property manager of real property, is responsible for the removal or remediation of certain hazardous or toxic substances released on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, or address such matters through alternative measures prescribed by the governing authority, may adversely affect Infrastructure Ontario's ability to sell such real estate and, potentially, could also result in claims against the Province and/or Infrastructure Ontario.

LEASED PROPERTY

GREP operations would be adversely affected if Infrastructure Ontario was unable to establish or renew the leases with third party landlords on favourable terms within the locations needed to deliver programs. Upon the expiry of any landlord lease, there can be no assurance that the lease will be renewed. The terms of any subsequent tenant lease may be less favourable than the existing tenant lease.

The current lease portfolio has a significant number of leases that were signed over 10 years ago and are soon due to expire. These leases were signed at rates significantly lower than what the market is today. There is a risk that Ontario/GREP/MOI will not be able to afford the same amount of space with the current allocation/funding levels.

CAPITAL EXPENDITURES

Capital improvements and maintenance capital are incurred in irregular amounts over the lifecycle of an individual property but funding requirements are constant over the portfolio of GREP properties. Funding requirements exceed cash available from operations or portfolio appropriations during certain periods. Properties not maintained deteriorate exponentially over time, resulting in more costly improvements.

The capital budget for the GREP portfolio has been underfunded for years. The deferred capital maintenance deficit currently exceeds $400 million and is expected to increase as capital funding is forecasted to decrease. Properties lose value when not adequately maintained. Infrastructure Ontario is developing several strategies to mitigate some of the risk from the funding gap. At the building level, Infrastructure Ontario categorizes every asset and assigns a priority rating based on its capital needs. At the portfolio level, Infrastructure Ontario has proposed a strategy of Rationalize, Reduce and Redeploy: Infrastructure Ontario identifies assets for increased utilization and consolidation (Rationalize); surplus and not in program use assets are identified for disposition/sale (Reduce); and Infrastructure Ontario will identify ways to fund initiatives (i.e. cost savings, sales revenue, etc.) to minimize and avoid any fiscal impact (Redeploy).

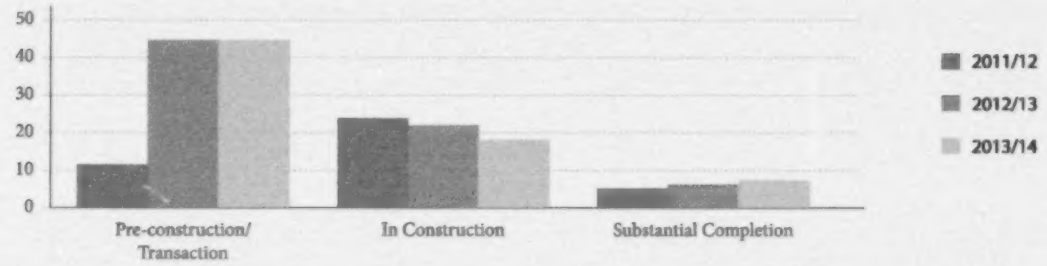
Operating Results

The MD&A discusses revenue and program expenses for the three lines of business (refer to Note 20 of the financial statements) and for the corporate operating expenses by function, in accordance with how the business is managed and how operations are classified for planning and measuring performance.

Revenue by Line of Business

Project Delivery

Projects Status as at March 31, 2014 (Number of projects)



The surplus in Project Delivery increased by $9.2 million to $26.3 million from $17.1 million prior year due to a decrease in transaction costs and a reduction in the provision for future project losses.

REVENUE

Project Delivery recognizes project delivery and transaction fees for AFP projects based on the percentage of completion of internal work, commencing when the project is assigned to Infrastructure Ontario by the Minister in a Letter of Direction (LOD) and ends on substantial completion of the project. Ancillary cost revenue is recognized on a cost recovery basis in the period the ancillary cost is incurred. Revenue for Commercial and Realty Development projects are recognized on a cost recovery basis and are determined and agreed to at the inception of each project.

Revenue for the year ended March 31, 2014 was $96.2 million, a decrease of $42.1 million from $138.3 million for the prior year.

- Recoverable cost revenue for the year ended March 31, 2014 was $33.7 million, a decrease of $41.7 million from $75.4 million for the prior year. Recoverable costs are variable and are dependent on the nature and stage of the project. In the prior year, six projects accounted for 70% of the total recoverable cost revenues. Three of those projects, which accounted for more than half of the total recoverable cost revenue in the prior year, have since reached substantial completion. Recoverable cost revenues are recognized to offset recoverable costs, which are included in Project advisory fees, and have no net impact on surplus.

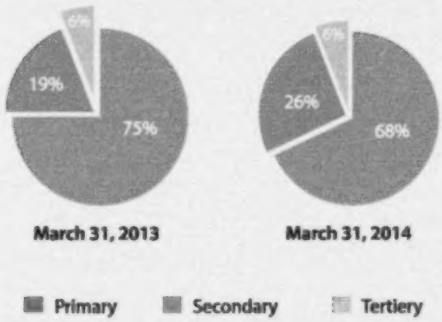
PROGRAM EXPENSES

Program expenses decreased by $53.3 million to $37.8 million for the year ended March 31, 2014 from $91.1 million for the prior year.

- Project advisory fees include Ancillary costs and Transaction costs. Project advisory fees decreased by $52.6 million, due to a $41.7 million decrease in recoverable costs, a $5.4 million decrease in transaction costs and a $5.5 million reduction in provisions for future losses on existing projects. The decrease in recoverable costs was offset by a decrease in recoverable cost revenue. Transaction costs decreased as fewer projects were in the transaction phase. Provisions for future project losses were reduced this year based on management's review of current project cost forecasts.
- Project funding expense is interest expense on the Ontario Financing Authority (OFA) credit facility. Interest decreased by $0.7 million to $1.3 million from $2.0 million last year, due to a reduction in the average outstanding balance ($54.0 million compared to $85.0 million prior year) partially offset by an increase in the average interest rate (2.25% compared to 2.15% prior year) on the facility.

Lending

Profile of Loan Portfolio by Tier



The Lending Division had a deficit of $2.4 million in 2013-14, a decrease of $9.3 million, from a surplus of $6.9 million in fiscal 2012-13 due to realizing losses on the sale of investments and a higher loan valuation allowance.

REVENUE

Revenue for the year ended March 31, 2014 was $166.7 million, an increase of $5.4 million from $161.3 million for the prior year.

- Loan interest revenue increased by $18.6 million from $140.8 million in 2012-13 to $159.4 million in 2013-14 due to a larger loan portfolio: the average outstanding loan balance was $4,596.2 million compared to $4,058.9 million prior year.
- Investment income decreased by $12.0 million from $19.3 million to $7.3 million due to a $6.2 million loss realized on the sale of investments in the current year, compared to a gain of $2.4 million in the prior year, as well as a lower average investment balance. The loss on the sale of investments was due to an increase in interest rates between the date the investments were purchased and the date they were sold to fund loans. Infrastructure Ontario does not buy or sell investments for speculative purposes. Funds are borrowed from the Province of Ontario (Province) and the Ontario Immigrant Investor Corp. (OIIC) in anticipation of a schedule of loan funding requirements in the following months and invested in financial instruments that have similar interest rates and terms to the original borrowing from the Province/OIIC. The investments are sold to fund loans as required. Infrastructure Ontario targets to hold the investments on a short term basis to minimize the exposure to interest rate fluctuations.

PROGRAM EXPENSES

Loan program expenses for the year ended March 31, 2014 were $161.6 million, an increase of $15.3 million from $146.3 million for the prior year.

- Interest expense increased by $8.2 million from $146.2 million in 2012-13 to $154.4 million in 2013-14 due to an increase in debt: the average outstanding debt was $5,495.1 million compared to $4,950.9 million prior year.
- The loan valuation allowance increased by $7.1 million from $0.1 million to $7.2 million due to an increase in the loan default risk in the industry as well as a specific loan valuation allowance. The valuation allowance is made up of a general portfolio risk based allowance and a specific allowance. The general allowance is based on the default rate for loans using Moody's 'Non-government Organization default and loan loss rates'. See the Loan valuation Allowance section regarding the methodology for the determination of the loan valuation allowance. Moody updated their model and increased a few of the loan default rates in the past year based on their analysis of defaults in Non-Government sectors. This change in estimate has resulted in an increase in the general loan valuation allowance. A specific loan valuation allowance has been recorded to reflect the increased credit risk on a loan, identified through management's loan monitoring process. As at March 31, 2014, the loan valuation allowance was 0.7% of the value of outstanding loans to the second and third tier for which the loan valuation allowance is taken.

Real Estate Management & Planning

Real Estate Management & Planning had a surplus of $1.0 million for the year ended March 31, 2014, a decrease of $7.1 million from a surplus of $8.1 million in the prior year primarily due to the decrease in project delivery and management fee revenue and an increase in both head-count and sub-contracting fees.

REVENUE

Revenue is made up of Project delivery and Management fees earned from GREP.

- Project delivery and management fee revenue for the year ended March 31, 2014 was $48.5 million, a decrease of $4.9 million from $53.4 million prior year. Project delivery and management fees earned from GREP are limited to the funding GREP receives from the Ministry allocated to fees.

PROGRAM EXPENSES

Program expenses are sub-contracting fees paid to CB Richard Ellis (CBRE) who has been contracted by Infrastructure Ontario to provide operational facility management services.

- Sub-contracting fees increased $0.6 million to $9.7 million from $9.1 million prior year due to an increase in the fees paid for financial and leasing services due to an expansion in scope of these services. Other GREP related expenses are recognized in the financial statements of GREP.

Corporate Operating Expenses

SALARIES & BENEFITS

Salaries and benefits increased $3.0 million, to $58.0 million from $55.0 million in the prior year. Average headcount increased by 24 employees to 472 from 448 in prior year. The approved growth in staffing in the year was included in the 2013-14 business plan which included an approved full complement of 485, required to support growth in projects and services. Growth in headcount was anticipated in the 2012-13 business plan, but only realized towards the end of last fiscal, as hiring lagged the approval. The average annual compensation per employee, excluding severance expenses, increased in 2013-14 to $119K compared to prior year of $116K but below the average compensation of $120K per employee included in the business plan.

OTHER OPERATING EXPENSES

Information technology costs decreased $1.0 million to $6.5 million from $7.5 million prior year due to integration savings. IT services were the last function to be integrated after the merger of the two predecessor organizations, and trailing savings were realized in year from the final phase of the integration.

Professional service costs increased $1.6 million to $4.4 million from $2.8 million due to specific one-time initiatives, including a Lending Program review; a review of the Value for Money methodology; Project Management Office documentation; a review the Treasury function and a Continuing Improvement Process review.

Statement of Financial Position

Cash & Cash Equivalents - Liquidity Reserve

Infrastructure Ontario has a $920.0 million liquidity reserve funded by an $800.0 million subordinated 50-year loan from the Province of Ontario and a $120.0 million subordinated 20-year loan from the Ontario Clean Water Agency (OCWA). The liquidity reserve has three purposes:

- Provides credit protection to investors;
- Provides a liquidity backstop for the lending program; and
- Provides a stable long-term capital base to enable Infrastructure Ontario to maintain a good credit rating.

The liquidity reserve is held in money market investments and other liquid assets included in cash and cash equivalents as well as Investments on the Statement of Financial Position. Funding of loans in the fourth quarter required a temporary use of $43.3 million from the liquidity reserve. The liquidity reserve was replenished to $920.0 million in the first quarter of fiscal 2014-15.

The liquidity reserve will continue to be reviewed and monitored in relation to Infrastructure Ontario's loan financing and long term debt structure.

Accounts Receivables

At March 31, 2014, accounts receivables were $152.5 million, an increase of $81.2 million from the prior year due to an increase in HST receivable as at March 31, 2014. The increase was the result of four large substantial completion payments made in February and March 2014. The amount was received subsequent to year end. There is no valuation allowance currently on accounts receivables.

Loans Receivables & Debt – Loan Program

At March 31, 2014, loans receivables increased by $510.3 million to $4,802.8 million from $4,292.5 million at March 31, 2013.

To fund the increase in loans, Infrastructure Ontario:

- Issued bonds to the Province of Ontario for proceeds of $610.0 million, for a balance of $2,690.0 million at March 31, 2014;
- Borrowed $199.8 million from the Ontario Immigrant Investor Corporation, for a balance of $534.3 million at March 31, 2014; and
- Repaid a net of $10.0 million in short term commercial paper, for a balance to $659.2 million at March 31, 2014.

On June 3, 2013 one of the three series of Infrastructure Renewal Bonds (IRB) that Infrastructure Ontario issued to the public markets matured and was refinanced with $300.0 million of debt from the Province (included in the $610.0 million above).

Loan Valuation Allowance

The loan valuation allowance is maintained at a level that Infrastructure Ontario considers adequate to absorb losses on loans based on currently available information. The valuation is reviewed quarterly and consists of both an industry risk weighted general allowance and a specific allowance, as applicable.

The industry risk weighted general allowance includes the accumulated provisions for losses of the existing loan portfolio which are considered to be likely in the future, but are not yet known and cannot be determined for any specific loan. The industry risk weighted general allowance is computed using credit risk models that consider both the probability of default (loss frequency), and loss severity, as determined by an assessment of business and economic conditions, historical and expected industry loss experience, loan portfolio composition, and other relevant indicators. The general valuation allowance is based on the default rate for the loans using Moody's 'Non-government Organization default and loan loss rates' with adjustments made by management, where deemed appropriate, considering the specific risks of Infrastructure Ontario's loans. Until Infrastructure Ontario can develop its own history of loss experience, this methodology, reviewed quarterly, reflects management's best judgment and estimation of existing risks, given current economic and credit market conditions.

Specific allowances consist of provisions for probable identifiable losses on existing loans. As previously discussed, there is a specific loan valuation allowance on one loan to reflect an increased credit risk.

Derivatives

Derivatives are financial contracts, the value of which is derived from underlying instruments. Infrastructure Ontario, being borrower and lender, uses derivatives to create cash flow hedges for instruments with differing maturity dates. Infrastructure Ontario hedge through interest rate swaps with the OFA, agreeing to exchange cash flows based on one or more notional amounts using stipulated reference interest rates for a specified period. Interest rate swaps allow Infrastructure Ontario to offset its existing loan receivables and debt obligations and thereby effectively convert them into instruments with terms that minimize the Agency's interest rate risk exposure. Infrastructure Ontario has swapped certain of its fixed rate loan receivable and fixed rate debt portfolio into floating rate instruments.

Projects Receivables

Projects receivables decreased $47.6 million to $108.0 million at March 31, 2014 compared to $155.6 million at March 31 2013. Revenue from financing fees charged to finance receivables and the project delivery fee on certain projects, are accrued during the transaction and construction phases of the project and invoiced at substantial completion.

Deferred Revenue

Infrastructure Ontario may be paid project costs in advance of incurring the expense or fees in advance of recognizing the revenue. These amounts are reported as 'Deferred Revenue' and are recognized into revenue based on the revenue recognition policy.

OFA Credit Facility

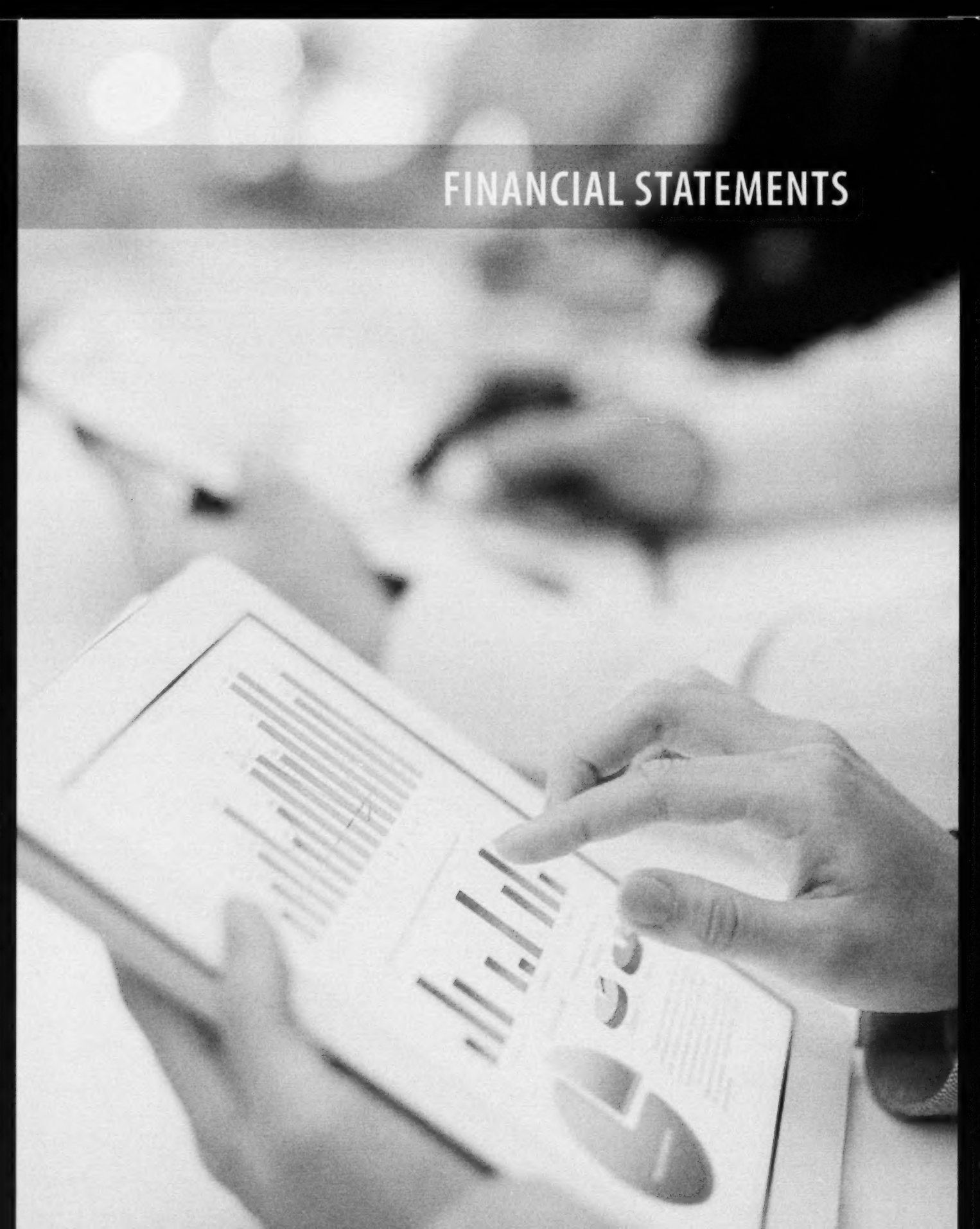
The OFA credit facility funds the working capital requirements of the AFP program. At March 31, 2014, the outstanding balance on the OFA credit facility was $25.0 million, compared to $73.0 million from March 31, 2013. Infrastructure Ontario made principal repayments of $48.0 million and interest payments of $1.3 million during the year.

Subsequent Events

Debt Restructuring

Previously, Infrastructure Ontario issued commercial paper to the capital markets to fund its short term construction loans. Subsequent to March 31, 2014, Infrastructure Ontario issued a new short term borrowing by law to borrow short term funds from the Province of Ontario. Interest charged on the facility is similar to that previously paid on commercial paper.

Commercial paper held at March 31, 2014 will be held until maturity (April 2014 - June 2014) but all new borrowings from May 27, 2014 will be from the credit facility with the Province of Ontario.



FINANCIAL STATEMENTS

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Ontario Infrastructure and Lands Corporation have been prepared in accordance with accounting principles for governments recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and, where applicable, the recommendations of the Accounting Standards Board of the Chartered Professional Accountants of Canada and are the responsibility of management.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors oversees management's responsibilities for financial reporting through the Audit Committee. The Audit Committee reviews the financial statements and recommends them to the Board for approval.

The financial statements have been audited by PricewaterhouseCoopers LLP. The Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's report outlines the scope of the Auditor's examination and opinion.

On behalf of management,

Bert Clark
President and Chief Executive Officer

Komathie Wulf
Chief Financial Officer

pwc

June 19, 2014

Independent Auditor's Report

To the Directors of
Ontario Infrastructure and Lands Corporation

We have audited the accompanying financial statements of Ontario Infrastructure and Lands Corporation, which comprise the statement of financial position as at March 31, 2014 and the statement of operations and accumulated surplus, re-measurement gains and losses, changes in net financial assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP
PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2
T: +1 416 863 1133, F: +1 416 365 8215, www.pwc.com/ca

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Infrastructure and Lands Corporation as at March 31, 2014 and the results of its operations, its re-measurement gains and losses, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

(Signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants, Licenced Public Accountants

STATEMENT OF FINANCIAL POSITION

As at March 31 (In Thousands of Dollars)

	2014	2013
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	$ 787,321	$ 663,461
Accounts receivables (Note 3)	152,448	71,296
Interest receivable	59,038	52,619
Investment income receivable	1,919	1,994
Loans receivables (Note 4)	4,802,797	4,292,502
Derivatives (Note 5)	209,279	256,238
Projects receivables (Note 6)	108,009	155,590
Investments (Note 7)	225,917	332,880
	6,346,728	5,826,580
LIABILITIES		
Accounts payables	70,042	11,141
Accrued liabilities	67,239	42,152
Interest payable	59,222	54,315
Derivatives (Note 5)	245,051	326,888
Deferred revenue	5,915	4,455
OFA credit facility (Note 8)	25,000	73,000
Debt – loan program (Note 9)	5,743,153	5,243,738
	6,215,622	5,755,689
NET FINANCIAL ASSETS	131,106	70,891
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	5,365	5,836
	5,365	5,836
ACCUMULATED SURPLUS	172,243	147,377
ACCUMULATED RE-MEASUREMENT LOSSES	(35,772)	(70,650)
	$ 136,471	$ 76,727

Contingencies (Note 17)
Commitments (Note 18)

The accompanying notes are an integral part of these financial statements.

Approved

Tony Ross
Board Chair

John Swinden
Director, Chair Audit Committee

STATEMENT OF OPERATIONS & ACCUMULATED SURPLUS *As at March 31 (In Thousands of Dollars)*

	2014 Budget	2014	2013 *(Note 22)*
REVENUE			
Interest revenue (Note 11)	$ 15,630	$ **159,422**	$ 140,767
Investment income (Note 11)	-	**7,291**	19,247
Project delivery fees	70,741	**70,874**	74,415
Management fees	40,883	**40,106**	41,871
Recoverable costs	80,362	**33,654**	75,366
Other income	-	**2**	1,295
	207,616	**311,349**	352,961
EXPENSES			
Salaries and benefits	58,411	**58,030**	55,059
General and administration (Note 12)	22,429	**19,424**	19,305
Program Expenses			
Project advisory fees	92,203	**36,473**	89,156
Interest (Note 11)	-	**154,379**	146,199
Loan valuation allowance	2,944	**7,230**	114
Sub-contracting fees	9,220	**9,664**	9,108
Project funding expenses	1,833	**1,283**	1,969
Total program expenses	106,200	**209,029**	246,546
	187,040	**286,483**	320,910
SURPLUS	20,576	**24,866**	32,051
ACCUMULATED SURPLUS, *beginning of year*	147,377	**147,377**	115,326
ACCUMULATED SURPLUS, *end of year*	$ 167,953	$ **172,243**	$ 147,377

The accompanying notes are an integral part of these financial statements.

STATEMENT OF RE-MEASUREMENT GAINS & LOSSES

As at March 31 (In Thousands of Dollars)

		2014		2013
ACCUMULATED RE-MEASUREMENT LOSSES, *beginning of year*	$	(70,650)	$	-
Adjustment upon adoption of PS 3450 – Financial Instruments		-		(47,817)
Realized losses – reclassified to the Statement of Operations		**21,897**		19,844
Re-measurement gains/(losses)		**12,981**		(42,677)
Net re-measurement gains/(losses) in the year		**34,878**		(22,833)
ACCUMULATED RE-MEASUREMENT LOSSES, *end of year*	$	(35,772)	$	(70,650)

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

As at March 31 (In Thousands of Dollars)

		2014		2013
Surplus	$	24,866	$	32,051
Acquisition of tangible capital assets		(1,308)		(1,483)
Amortization of tangible capital assets		1,779		1,933
Re-measurement losses adjustment upon adoption of PS 3450		-		(47,817)
Net re-measurement gains/(losses) in the year		34,878		(22,833)
NET CHANGE IN NET FINANCIAL ASSETS		60,215		(38,149)
NET FINANCIAL ASSETS AT BEGINNING OF YEAR		70,891		109,040
NET FINANCIAL ASSETS AT END OF YEAR	$	131,106	$	70,891

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

As at March 31 (In Thousands of Dollars)

	2014	2013 (Note 22)
OPERATING ACTIVITIES		
Net surplus	$ 24,866	$ 32,051
Items not requiring a current cash outlay:		
Increase in loan valuation allowance	7,230	114
Amortization of deferred concession costs	(9,125)	(9,995)
Amortization of tangible capital assets	1,779	1,933
	24,750	24,103
Changes in non-cash working capital items:		
(Increase) /decrease in accounts receivables	(81,152)	1,481
Increase in interest receivables	(6,419)	(7,622)
Decrease/(increase) in projects receivables	47,581	(11,223)
Increase/(decrease) in accounts payables	58,901	(2,402)
Increase in accrued liabilities	25,087	17,349
Increase/(decrease) in deferred revenue	1,460	(168)
Decrease in provision for restructuring costs	-	(1,323)
Cash provided by operating activities	70,208	20,195
CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(1,308)	(1,483)
Cash used in capital activities	(1,308)	(1,483)
INVESTING ACTIVITIES		
Decrease in investment income receivable	75	602
Purchase of investments	(2,774,866)	(3,030,042)
Proceeds from disposition of investments	2,881,829	3,032,393
Issuance of loans receivables	(767,760)	(863,246)
Loan repayments	259,360	265,870
Cash used in investing activities	(401,362)	(594,423)
FINANCING ACTIVITIES		
Increase in interest payables	4,907	10,284
Repayment of OFA revolving credit facility	(48,000)	(10,000)
Debt issuances	3,472,141	3,089,570
Debt repayments	(2,972,726)	(2,458,497)
Cash provided by financing activities	456,322	631,357
NET INCREASE IN CASH AND CASH EQUIVALENTS	123,860	55,646
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	663,461	607,815
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 787,321	$ 663,461

The accompanying notes are an integral part of these financial statements.

NATURE OF THE CORPORATION

Ontario Infrastructure and Lands Corporation (Infrastructure Ontario, Agency) is a Crown Corporation reporting to the Minister of Infrastructure (Minister) and is classified by the Province of Ontario (Province) as an operational enterprise.

- The mandate of Infrastructure Ontario includes the following:
- To provide financing for infrastructure purposes to municipalities and to eligible public organizations;
- To provide the government with advice and services, including project management, contract management and development, related to public works;
- To provide financial management for public works managed by the Ministry of Infrastructure (Ministry) or by a Crown agency for which the Minister is responsible;
- To carry out the powers, duties and functions delegated by the Minister to the Corporation under the Ministry of Infrastructure Act, 2011;
- To provide advice and services related to real property to public sector organizations when directed to do so in writing by the Minister;
- To advise the Minister on infrastructure projects in Ontario, when directed to do so in writing by the Minister;
- To advise the Minister on financial, strategic or other matters involving the government, when directed to do so in writing by the Minister;
- To implement or assist in the implementation of transactions involving the Government, when directed to do so in writing by the Minister;
- To provide project management and contract management services related to infrastructure projects in Ontario that are not public works, when directed to do so in writing by the Minister; and
- To undertake any additional objects as directed by the Minister of Infrastructure.

As a Crown corporation, Infrastructure Ontario is exempt from federal and provincial income taxes under paragraph 149(1) (d) of the Income Tax Act of Canada. Infrastructure Ontario has been added to Schedule A of the Canada Ontario Reciprocal Taxation Agreement and is exempt from the Goods and Services Tax. Infrastructure Ontario is subject to Harmonized Sales Tax (HST).

1. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

These financial statements are prepared in accordance with accounting policies and standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA).

MANAGEMENT ESTIMATES

The preparation of financial statements in accordance with Canadian General Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from these estimates.

Key areas where management has made estimates are in the percentage of completion for the determination of revenue from project delivery fees, the loan portfolio valuation allowance and the fair value of derivatives. Actual results could differ from these and other estimates, the impact of which would be recorded in future periods.

FINANCIAL INSTRUMENTS

Infrastructure Ontario's financial assets include cash and cash equivalents, accounts receivables, interest receivable, investment income receivable, loans receivables, derivatives, projects receivables, and investments. Infrastructure Ontario's financial liabilities include accounts payables, accrued liabilities, interest payable, derivatives, Ontario Financing Authority (OFA) credit facility, and the debt-loan program.

Initial recognition and measurement

All financial assets and liabilities are initially recognized at fair value. Fair value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable willing parties, who are under no compulsion to act. Financial instruments are classified at initial recognition as either (i) fair value or (ii) cost or amortized cost. Derivatives are classified in the fair value category. All other financial instruments are classified in the cost or amortized cost category.

The amortized cost of the 2003-04 program loans (see Note 4) issued by Infrastructure Ontario, which were considered to have concessionary terms, was determined as the present value of the future cash flows of the loan, and discounted using Infrastructure Ontario's cost of borrowing. The difference between the face value of the loan and its present value is, in substance, a grant. The grant portion is recognized as a concession cost at the date of issuance of the loan and amortized to match the underlying interest subsidy, over the term of the loan.

Transaction costs for financial instruments measured at cost or amortized cost are added to or netted against the carrying value of the financial asset or financial liability, respectively. Transaction costs for financial instruments measured at fair value are expensed immediately in the statement of operations.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

i. Financial instruments at fair value

Financial instruments at fair value are re-measured at their fair value at the end of each reporting period. Any unrealized gains and losses are recognized in the statement of re-measurement gains and losses and are subsequently reclassified to the statement of operations upon disposal or settlement.

Infrastructure Ontario uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The fair value of financial instruments not traded in an active market is determined by appropriate valuation techniques, including forward pricing and swap models, using present value calculations. The models incorporate various inputs including forward interest rate curves.

ii. Financial instruments at cost or amortized cost

Financial instruments not measured at fair value are measured at cost or amortized cost.

For financial assets and financial liabilities measured at amortized cost, interest is recorded using the effective interest rate (EIR) method. The EIR is the rate that discounts the estimated future cash payments or receipts over the expected life of the financial instrument or, where appropriate, a shorter period.

Impairment

i. Loss in value of an investment (not quoted in an active market)

A write down is recognized in the Statement of Operations and Accumulated Surplus when there has been a loss in the value of the investment considered as an 'other than temporary' loss. A loss is considered 'other than temporary' when the carrying value of the investment exceeds its actual value for a prolonged period of time. If the actual value of the portfolio investment subsequently increases, the write down to the statement of operations is not reversed.

ii. Loans receivables impairment

A loan portfolio valuation allowance is maintained at a level that Infrastructure Ontario considers adequate to absorb valuation adjustments and losses on loans. A loan valuation allowance is established against the loan portfolio after management's review of existing economic, industry and portfolio conditions across the different loan segments. The valuation allowance is underpinned by a risk rating process in which risk ratings are assigned at the time of loan origination, monitored on an ongoing basis, and adjusted to reflect changes in underlying credit risk. A number of factors are considered when determining the appropriate level of the valuation allowance, including sensitivity to risk ratings, industry sectors, portfolio quality, business mix, and economic and credit market conditions. A valuation allowance is also established in instances of known client credit deterioration at the expected net recoverable value.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on deposit and highly liquid investments with a term to maturity of one year or less.

DERIVATIVE FINANCIAL INSTRUMENTS

Infrastructure Ontario uses derivative financial instruments, specifically interest rate swaps, to manage its interest rate risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered and are subsequently re-measured at fair value at each reporting date. Derivatives are carried as financial assets when the fair value is in a receivable position and as financial liabilities when the fair value is in a payable position.

Any unrealized gains or losses arising from changes in the fair value of derivatives are recorded in the statement of re-measurement gains and losses and are subsequently re-classified to the statement of operations upon settlement.

TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is provided using the straight-line method over the estimated useful life of the assets beginning in the fiscal year of acquisition, with a half-year provision in the year of acquisition and half-year in the year of disposal. The estimated useful lives of the assets are as follows:

Computer hardware and equipment: 3 years
Software: 5 years
Furniture, fixtures and office equipment: 3 – 10 years
Leasehold improvements: 5 – 10 years

IMPAIRMENT OF TANGIBLE CAPITAL ASSETS

The Agency reviews the carrying value of tangible capital assets for potential impairment when there is evidence that events or changes in circumstances exist, that indicate that a tangible capital asset no longer contributes to a government's ability to provide goods and services, or that the value of future economic benefits associated with the tangible capital asset is less than its net book value. In these circumstances, the cost of the tangible capital asset is reduced to reflect the decline in the asset's value. No such impairment losses have been incurred to date.

REVENUE RECOGNITION

Interest revenue and investment income

Interest on investments and loans receivables are recognized using the effective interest rate method.

Project delivery fees

Infrastructure Ontario provides professional services under either cost based or fixed price contracts. For cost based contracts, revenue is recorded when an arrangement is in place, costs are incurred, and collectability is reasonably assured. Revenue from fixed price contracts is recorded using the percentage-of-completion method. Percentage-of-completion is calculated based on a ratio of cost incurred to total estimated costs. Losses, if any, on fixed price contracts are recognized during the period they are identified.

Management fees and recoverable costs

Management fees and recoverable costs are recognized as revenue when arrangement is in place, when services are provided and collectability is reasonably assured.

2. CASH & CASH EQUIVALENTS

($,000)	2014	2013
Cash	$ 87,023	$ 29,043
Cash equivalents	700,298	634,418
	$ 787,321	$ 663,461

Cash equivalents include money market investments and short term fixed income instruments recorded at cost, which closely approximate fair value. At March 31, 2014 the interest rates on these investments ranged from 1.00 % to 1.17% (2013 - 0.98% to 1.56%).

3. ACCOUNTS RECEIVABLES

($,000)	2014	2013
Trade accounts receivable	$ 74,107	$ 67,792
HST receivable	78,341	3,504
	$ 152,448	$ 71,296

4. LOANS RECEIVABLES

($,000)	2014		2013	
CONSTRUCTION ADVANCES				
Infrastructure renewal loan program	$ 733,947		$ 604,333	
	733,947		604,333	
DEBENTURES RECEIVABLES		*Interest %*		*Interest %*
Concessionary loan program				
Maturity within 5 years	-	-	-	-
6 to 10 years	66,960	*2.06-2.71*	92,830	*2.06-2.71*
11 to 15 years	42,039	*2.28-2.67*	47,354	*2.28-2.67*
16 to 20 years	304,538	*2.36-2.95*	327,054	*2.36-2.95*
Greater than 20 years	66,882	*2.52-3.05*	69,626	*2.52-3.05*
	480,419		536,864	
Infrastructure renewal loan program				
Maturity within 5 years	29,771	*1.48-5.07*	37,448	*1.48-5.07*
6 to 10 years	470,932	*2.42-5.20*	450,433	*2.42-5.20*
11 to 15 years	578,151	*2.37-5.37*	598,066	*3.07-5.37*
16 to 20 years	1,024,380	*3.17-5.89*	914,870	*3.30-5.89*
Greater than 20 years	1,554,857	*3.19-5.91*	1,222,043	*3.49-5.91*
	3,658,091		3,222,860	
TOTAL	4,138,510		3,759,724	
DEFERRED COSTS ON CONCESSIONARY LOANS				
Deferred costs, beginning of year	(67,741)		(77,736)	
Amortization of concession costs	9,125		9,995	
Deferred costs, end of year	(58,616)		(67,741)	
Loan valuation allowance	(11,044)		(3,814)	
LOANS RECEIVABLES	$ 4,802,797		$ 4,292,502	

Construction advances are loans due from municipalities, other public sector bodies and not-for-profit entities. The interest rate on these construction loans is 30 day Bankers' Acceptances plus 10 basis points. These loans are of a shorter term than the debentures (less than five years), and are repaid when construction is complete.

Debentures receivables are due from municipalities, other public sector clients and not-for-profit entities, with terms ranging from 5 to 40 years.

Infrastructure Ontario manages its credit risk with the current loan portfolio through various provisions in the loan agreements. The Agency has an intercept mechanism with the Province which allows for funds owing to a borrower that receives funding from the Province to be redirected to Infrastructure Ontario. Loans to non-government borrowers are subject to restrictive covenants on assets and the borrower is required to provide security and some are required to provide loan insurance.

5. DERIVATIVES

Infrastructure Ontario employs various risk management strategies and operates within strict risk exposure limits to ensure exposure to risk is managed in a prudent and cost effective manner. A variety of strategies are used, including the use of derivatives. Infrastructure Ontario does not use derivatives for speculative purposes.

Derivatives are financial contracts, the value of which is derived from underlying instruments. Infrastructure Ontario, being borrower and lender, uses derivatives to create cash flow hedges for instruments with differing maturity dates. The interest rate variability risk is managed through interest rate swaps, which are legal contracts under which Infrastructure Ontario agrees with another party to exchange cash flows based on one or more notional amounts using stipulated reference interest rates for a specified period. Interest rate swaps allow Infrastructure Ontario to offset its existing loan receivables and debt obligations and thereby, effectively convert them into instruments with terms that minimize the Agency's interest rate risk exposure. Infrastructure Ontario has swapped certain of its fixed rate loan receivables and fixed rate debt portfolio into floating rate instruments.

All interest rate swap agreements are with OFA, (an entity also under control of the government of Ontario) as the contracting party. The OFA has the option at certain dates within the swap period to reset an individual interest rate swap and a cash settlement or receipt may result, however the resetting does not affect the effectiveness of the swap transaction.

The table below presents a maturity schedule of Infrastructure Ontario's derivatives, outstanding as at March 31, 2014, based on the notional amounts of the contracts. The notional amounts of interest rate swaps represent the amount to which the fixed and floating rates are applied in order to calculate the exchange of cash flows. The notional amounts are not recorded in the Statement of Financial Position. They represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows of such instruments.

Maturity: ($,000,000)		**Within 1 Year**	**2 to 5 Years**	**6 to 10 Years**	**11 to 15 Years**	**Over 15 Years**	**Total Notional Value**
Debt	$	70	1,443	1,227	-	841	3,581
Loans receivables	$	212	980	1,159	760	958	4,069

Derivatives are recorded at fair value as at March 31, 2014 resulting in a derivative asset of $209.3 million, derivative liabilities of $245.1 million and an unrealized loss on the statement of re-measurement gains/(losses) of $35.8 million (2013- derivative asset of $256.2 million, derivative liabilities of $326.9 million and an unrealized loss on the statement of re-measurement gains/(losses) of $70.7 million). Fair values for both were determined using Level 2 basis of valuation as defined in Note 1.

Fair values of these derivatives were determined using pricing models, with market observable inputs which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the positions. The determination of the fair value of derivatives includes consideration of credit risk and ongoing direct costs over the life of the instruments.

6. PROJECTS RECEIVABLES

Project receivables are revenues and expense recoveries, recognized either on a percentage-of-completion method or when the expenses occurred that have not yet been invoiced. Certain projects receivables, including interest costs to finance the receivables, will not be invoiced until the completion of the project. Projects receivables are due from various Ministries and Ontario Crown Agencies.

7. INVESTMENTS

Investments consist of bonds utilized as economic hedging instruments to mitigate some of the interest rate risk between when funds are borrowed and lent. These investments are carried at amortized cost. At March 31, 2014 the interest rates on these investments ranged from 2.10% to 3.50% (2013 – 1.90% to 5.00%) and maturities from September 2014 to June 2045.

8. OFA CREDIT FACILITY

OFA, an agency of the Province, provides Infrastructure Ontario with a subordinated revolving credit facility of up to $200 million to provide working capital for project management and project delivery programs. Advances are to be repaid upon completion of individual projects. At March 31, 2014, Infrastructure Ontario had drawn $25.0 million (2013 - $73.0 million) on the credit facility, with interest at the Province's cost of funds for borrowings with a similar term. Interest charges range from 1.59% to 2.59% (2013 – 1.59% to 2.64%), with advance maturities from April 2014 to July 2015.

Infrastructure Ontario enacted a borrowing by-law effective June 6, 2011 extending the Agency's authorization to borrow funds until June 29, 2016 and extending the mandatory repayment date for all borrowings to June 29, 2019. Subsequently, Infrastructure Ontario and OFA entered into an amending agreement extending the date to which Infrastructure Ontario may borrow funds until June 29, 2016 and extending the mandatory repayment date to June 29, 2019.

9. DEBT – LOAN PROGRAM

CAPITAL FUNDING:

($,000)	2014	2013
Province of Ontario loan	$ 799,681	$ 799,681
Ontario Clean Water Agency loan	120,000	120,000
	$ 919,681	$ 919,681

PROGRAM FUNDING:

Commercial paper	$ 659,241	$ 669,213
Infrastructure Renewal Bonds	950,000	1,250,000
OIPC/OILC bonds and FRNs	2,690,000	2,080,000
Ontario Immigrant Investor Corporation loans	534,342	334,490
	$ 4,833,583	$ 4,333,703
Debt issue costs	(10,111)	(9,646)
	$ 5,743,153	$ 5,243,738

PROVINCE OF ONTARIO LOAN

The Province provides Infrastructure Ontario with a 50 year subordinated loan of approximately $800 million in exchange for a promissory note which matures on March 31, 2053. The interest on the note is reset quarterly at the Province's three-month treasury bill rate and payable quarterly. On March 31, 2014 interest on the note was reset at 0.97% (2013 – 1.00%).

ONTARIO CLEAN WATER AGENCY LOAN

The Ontario Clean Water Agency (OCWA), an agency of the Province, provides a twenty-year subordinated loan of $120 million to Infrastructure Ontario in exchange for a promissory note which matures on March 1, 2023. The interest rate on the note is reset monthly at four basis points below the average one month Canadian Dollar Offered Rate (CDOR) payable quarterly. On March 31, 2014 interest on the note was reset at 1.22% (2013 - 1.22%).

Together the Province of Ontario and OCWA loans provide Infrastructure Ontario with its liquidity reserve which provides: (i) credit protection to investors of unsubordinated debt such as Infrastructure Renewal Bonds and Commercial Paper; (ii) a liquidity backstop for Infrastructure Ontario's financing needs; and (iii) a stable long-term capital base that enables Infrastructure Ontario to achieve a high credit rating. Infrastructure Ontario invests the funds in liquid short term fixed income securities.

COMMERCIAL PAPER

Infrastructure Ontario issues notes under a commercial paper program. The funds are used to fund its Loan Program. The Program is authorized to issue a maximum of $750 million for terms of up to one year. During the year, interest on the notes ranged from 1.05% to 1.07% (2013 – 1.05% to 1.07%). As of March 31, 2014, maturities ranged from April 2014 to June 2014.

INFRASTRUCTURE RENEWAL BONDS

Infrastructure Ontario assumed $650 million of Infrastructure Renewal Bonds, on July 17, 2006, the date of amalgamation with Ontario Strategic Infrastructure Financing Authority (OSIFA). The bonds bear interest at 4.60% per annum and mature on June 1, 2015.

On April 19, 2007, Infrastructure Ontario issued $300 million of Infrastructure Renewal Bonds. The bonds bear interest at 4.70% per annum and mature on June 1, 2037.

On August 26, 2008, Infrastructure Ontario issued $300 million of Infrastructure Renewal Bonds. The bonds matured and were redeemed on June 3, 2013.

OIPC / OILC BONDS AND FRNS

Infrastructure Ontario issued Ontario Infrastructure Projects Corporation (OIPC) and Ontario Infrastructure and Lands Corporation (OILC) bonds and Floating Rate Notes (FRN) to the Province for the purpose of funding its Loan Program. The bonds and FRN's are subordinated obligations of Infrastructure Ontario and rank behind all other existing and future unsubordinated obligations and unsecured public debt of Infrastructure Ontario.

At March 31, 2014, interest on fixed rate bonds ranged from 2.02% to 4.96% (2013 – 2.02% to 4.96%) per annum and maturities range from September 2014 to June 2045. Interest is paid semi-annually on these bonds until maturity. The FRNs bear interest from three month Canadian Dealer Offered Rate (CDOR) plus 16 basis points to three month CDOR plus 22 basis points and the maturity of the notes is June 30, 2018. Interest is reset and paid quarterly until the maturity of the FRNs.

ONTARIO IMMIGRANT INVESTOR CORPORATION LOANS

Ontario Immigrant Investor Corporation (OIIC), an agency of the Province, provides five-year subordinated loans. The loans are subordinated obligations of Infrastructure Ontario and rank behind all other existing and future unsubordinated obligations and unsecured public debt of Infrastructure Ontario.

As at March 31, 2014, interest on fixed rate bonds ranged between 1.86% and 3.05% compounded semi-annually and paid on maturity. Maturities ranged from January 2016 to February 2019. Interest on bonds bearing a variable rate of interest is reset and compounded quarterly with a floor rate of 1.55% per annum. Maturities ranged from October 2016 to January 2019.

10. TANGIBLE CAPITAL ASSETS

YEAR-ENDED MARCH 31 2014

($,000)	Computer Equipment	Software	Furniture, Fixtures and Office Equipment	Leasehold Improve-ments	Total
COST					
Balance, April 1, 2013	$ 14,008	4,504	1,984	9,828	30,324
Additions/(disposals)	1,659	(351)	-	-	1,308
Balance, March 31, 2014	15,667	4,153	1,984	9,828	31,632
ACCUMULATED AMORTIZATION					
Balance, April 1, 2013	12,872	4,128	1,689	5,799	24,488
Amortization	800	25	91	863	1,779
Balance, March 31, 2014	13,672	4,153	1,780	6,662	26,267
Net book value – March 31, 2014	$ 1,995	-	204	3,166	5,365

YEAR-ENDED MARCH 31, 2013

($,000)	Computer Equipment	Software	Furniture, Fixtures and Office Equipment	Leasehold Improve-ments	Total
COST					
Balance, April 1, 2012	$ 12,876	4,153	1,984	9,828	28,841
Additions	1,132	351	-	-	1,483
Balance, March 31, 2013	14,008	4,504	1,984	9,828	30,324
ACCUMULATED AMORTIZATION					
Balance, April 1, 2012	12,191	3,918	1,577	4,869	22,555
Amortization	681	210	112	930	1,933
Balance, March 31, 2013	12,872	4,128	1,689	5,799	24,488
NET BOOK VALUE – MARCH 31, 2013	$ 1,136	376	295	4,029	5,836

11. INTEREST INCOME (EXPENSE) & INVESTMENT INCOME

Interest income, expense and investment income are budgeted as net margin; however, they are recorded as gross loan interest, investment income and interest expense in the financial statements.

($,000)	2014 Budget	2014	2013
Loan interest revenue	$ -	$ 159,422	$ 140,767
Investment income	-	7,291	19,247
Loan interest expense	-	(154,379)	(146,199)
NET INTEREST MARGIN	$ 15,630	$ 12,334	$ 13,815

The breakdown of interest expense on debt is as follows:

INTEREST RE: CAPITAL FUNDING		
Province of Ontario loan	$ 8,138	$ 7,957
Ontario Clean Water Agency loan	1,410	1,416
	$ 9,548	$ 9,373
INTEREST RE: PROGRAM FUNDING		
Commercial Paper	$ 7,215	$ 6,769
Infrastructure Renewal Bonds	46,007	55,850
OIPC/OILC Bonds and FRNs	81,976	67,702
Ontario Immigrant Investor Corporation loans	9,633	6,505
	$ 144,831	$ 136,826
TOTAL INTEREST EXPENSE	$ 154,379	$ 146,199
Cash interest received	$ 180,993	$ 161,189
Cash interest paid	(168,926)	(156,310)
	12,067	4,879
Investment income and non-cash interest		
Gain/(loss) on sale of investments	(6,240)	2,394
Amortization of loan concession costs (Note 4)	9,125	9,995
Other non cash interest expense	(2,618)	(3,453)
NET INTEREST AND INVESTMENT INCOME	$ 12,334	$ 13,815

Other non cash interest and investment income includes net interest accrued (revenue and expense), and the amortization of premiums and discounts on purchase of investments.

12. GENERAL ADMINISTRATION EXPENSES

($,000)	2014 *Budget*	**2014**	2013
Communications	$ 319	**$ 166**	$ 176
Information technology	7,884	**6,455**	7,470
Office and administration	2,046	**1,539**	1,391
Premises	5,207	**5,082**	5,535
Professional and consulting services	5,042	**4,403**	2,800
Amortization	1,931	**1,779**	1,933
	$ 22,429	**$ 19,424**	$ 19,305

13. RELATED PARTY TRANSACTIONS

The Agency is economically dependent on the Province as 46% of its revenue for the year ended March 31, 2014 (2013 - 47%) was received from the Province for the provision of services to various Ontario Crown Agencies and ministries, including the Ministry of Health and Long Term Care, the Ministry of the Attorney General, the Ministry of Government Services, the Ministry of Community Safety and Correctional Services, and the Ministry of Transportation, in addition to the Ministry of Infrastructure.

Infrastructure Ontario's prime sources of revenue from the Province were:

i. Project delivery fees
Fees based on a percentage of project costs are charged for services, including project management, contract management and development related to public works, provided to various Ontario Crown Agencies and ministries.

ii. Management fees
Fees charged for services, including property and project management, provided to the Ministry's General Real Estate Portfolio.

iii. Recoverable costs
Certain projects and services are provided to various ministries on a cost recovery basis.

Infrastructure Ontario has interest bearing loans from the OCWA, the Province of Ontario, OIIC and OFA (Notes 8 and 9).

Infrastructure Ontario has incurred costs for services from OFA of $0.93 million (2013 - $0.92 million).

14. FUTURE EMPLOYEE BENEFITS

The Agency provides pension benefits to certain of its full-time employees through participation in the Public Service Pension Plan, which is a multi employer defined benefit plan established by the Province. The contribution to the pension plan of $0.5 million (2013 - $0.6 million) is based on formulas set by the Ontario Pension Board and has been expensed. The cost of post-retirement, non-pension employee benefits for these employees is paid by the Ministry of Government Services and is not included in the financial statements.

The Agency provides a defined contribution pension plan for all other full-time employees. The Agency's contribution to this plan for the year ended March 31, 2014 were $2.5 million (2013 - $2.3 million).

15. RISK MANAGEMENT

The principal risks that Infrastructure Ontario is exposed to as a result of holding financial instruments are credit, market, liquidity and interest rate risks. The Risk Committee reviews and the Board of Directors approve policies for managing each of these risks which are summarized below.

CREDIT RISK

Credit risk is the risk of loss arising from counterparty's inability to fulfill its financial contractual obligations to Infrastructure Ontario. The Agency is primarily exposed to credit risk on loans receivables, cash accounts and other receivables, and investments. The Agency manages and controls credit risk through the implementation of policies and review processes.

CREDIT RISK – LOANS RECEIVABLES

Oversight of the credit risk of the Lending Program is the primary concern of the Risk Committee of the Board of Directors.

The Credit Risk Policy ensures that loan amounts are commensurate with both the borrower's ability to service debt and Infrastructure Ontario's own risk tolerance. The Credit Risk Policy establishes principles for evaluating credit risk for each sector of borrowers and establishes maximum loan concentration limits for the risk and subsequent debt service capacity of the borrower. Separate underwriting and credit functions exist to ensure an independent review and challenge through the adjudication process. Due diligence is conducted and a final scoring and recommendation for each applicant is presented to the management Credit Review Committee and to the Board of Directors for approval, if necessary, based on Infrastructure Ontario's Delegation of Authority.

Infrastructure Ontario has a risk based loan review process that covers all lending sectors and provides early identification of possible changes in the credit worthiness of counterparties. The objectives of the loan review are to: assess the status of funded projects in construction; ensure payment and covenant compliance over the term of the loan; initiate timely corrective action to minimize any potential credit loss and escalate potential loan repayment issues to the management Credit Review Committee and the Board of Directors.

Infrastructure Ontario's maximum exposure to credit risk on loans receivables, excluding derivatives and without taking into account any collateral held or other credit enhancements, as at March 31, 2014 was $4,802.8 million. There are no loans past due.

Infrastructure Ontario classifies and manages its loans by tiers. Tier one borrowers have a tax base and receive provincial transfers which provide a strong source of debt repayment. Tier two borrowers are in industries which are either regulated or entitled to government based revenue contracts and therefore have a stable source of debt repayment. Tier three borrowers are organizations dependent on self generated revenues either by market-set prices or donations and fundraising.

The public sector nature of Infrastructure Ontario's borrowers present a low level of credit risk due to the unique ability of the borrowers to generate or receive revenue for essential public services or from low risk business models that serve the public sector interest. The profile of the loans receivables at March 31, 2014 is as follows:

($,000)	Gross Outstanding	Loan Valuation Allowance	Net
Net			
TIER 1			
Municipalities	$ 3,134,906		
Universities	176,705		
Local Service Boards	393		
	3,312,004	-	3,312,004
TIER 2			
MaRS	215,526		
Local Distribution Corps.	240,756		
Long Term Care	161,771		
Affordable Housing (CMHC)	126,698		
Affordable Housing (no CMHC)	246,651		
Social Housing	249,014		
Aboriginal Health Access Centres	6,977		
Community Health & Social Service Hubs	4,665		
	1,252,058	(3,731)	1,248,327
TIER 3			
Power Generators	120,195		
District Energy	28,036		
Municipal Corporations (Other)	33,407		
Beneficial Entities (Arts Training, Hospices, etc.)	123,638		
Sports and Recreation	3,119		
	308,395	(7,313)	301,082
DEFERRED COSTS ON CONCESSIONARY LOANS			
Deferred costs, beginning of year	(67,741)		(67,741)
Amortization of concession costs	9,125		9,125
Deferred costs, end of year	(58,616)	-	(58,616)
LOANS RECEIVABLES	$ 4,813,841	(11,044)	4,802,797

Collateral

Infrastructure Ontario lends on the strength of applicants' ability to service loan payments over time. The Agency does not lend on a residual asset value basis and does not factor in possession or control of an asset in the evaluation of debt service coverage. It lends on the basis of a strong assurance of permanent sources of cash flow, namely the unique position of many borrowers to generate tax revenue or receive funding from the Province. Infrastructure Ontario mitigates its credit risk with the loan portfolio through various mitigation controls provisions. The Agency has an intercept mechanism with the Province which allows for funds owing to a borrower that receives funding from the Province to be redirected to Infrastructure Ontario. Clients that do not receive provincial funding are required to provide adequate security such as: guarantees, first ranking mortgage/ charge, general security agreement, assignment of rents and leases and assignment of accounts and agreements and collateral.

Impairment

The loan valuation allowance is maintained at a level that Infrastructure Ontario considers adequate to absorb valuation adjustments and losses on loans based on current income conditions.

The loan valuation allowance is based on an assessment of existing economic, industry and portfolio conditions which may indicate that valuation is impaired or losses incurred. The loan valuation allowance is underpinned by a risk rating process in which risk ratings are assigned at the time of loan origination, monitored on an ongoing basis, and adjusted to reflect changes in underlying credit risk. A number of factors are considered when determining the appropriate level of the loan valuation allowance, including sensitivity to risk ratings, industry sectors, portfolio quality, business mix, and economic and credit market condition.

Credit risk – Cash, Receivables and Investments

Infrastructure Ontario's maximum exposure to credit risk on the cash, receivables and investments, excluding derivatives and without taking into account any collateral held or other credit enhancements, as at March 31, 2014 was:

($,000)		2014		Past Due
Cash and cash equivalents	$	787,321	$	-
Accounts receivables		152,448		34,352
Interest receivable		59,038		-
Investment income receivable		1,919		-
Projects receivables		108,009		-
Investments		225,917		-
	$	1,334,652	$	34,352

There is no valuation allowance provided against cash, receivables and investments at March 31, 2014.

MARKET RISK

Market risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market prices. Market risk includes interest rate risk. The Agency has market risk on investments purchased as an economic hedge against borrowed funds that are surplus to immediate lending requirements. These investments are sold as required in order to fund loans. The entity only invests in bonds with a AA credit rating or higher and that are readily liquidated. The short term nature of these investments also mitigates this risk.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises when the re-pricing of assets is not aligned with the re-pricing of liabilities. For example, in its lending portfolio, if the Agency lends for a 20-year term (assets) and the debt that it issues to obtain the funds (liabilities) has a shorter term, it may have to issue the debt several times over the life of the asset. Each time the debt is rolled over or re-financed, there is a risk that interest rates will have risen, resulting in either lower net interest income or, if the Agency is lending at a rate below its borrowing cost, a greater net loss.

Management controls interest rate risk through the alignment of asset and liability maturities and by employing interest rate swap derivatives. For instance, management has mitigated most of its interest rate risk on its Capital funding by investing in offsetting investments with rates that match the loans from the Province and OCWA.

Infrastructure Ontario is exposed to interest rate fluctuations during the period between the issuance of long-term debt and issuing loans. To manage this interest rate risk, Infrastructure Ontario invests in bonds with similar maturities to offset the interest rate risk until funds are loaned out.

For the floating rate construction loan portfolio, interest rate risk has been kept to a minimum by employing similar maturity short-term funding in support of these loans. Management of the interest rate risk on the long-term fixed rate loans on the other hand is accomplished through a combination of the use of similar maturity funding and employing interest rate swap derivatives through OFA, given that more exact matching of asset and liability maturities is not possible for these loans as it is with the Capital funding and construction loan portfolios.

Infrastructure Ontario's Asset-Liability Management Policy requires continuous monitoring and reporting of the interest rate risk position to senior management and the Risk Committee of the Board of Directors. The Asset-Liability Management Policy provides senior management with the tools to manage interest rate risk and the authority to instruct OFA Capital Markets staff to execute financial transactions to manage interest rate risk, including the use of derivatives. The Agency manages to a strict interest rate risk limit which specifies the maximum expected loss under a presumed 100 basis point shift in interest rates and further limits the potential for loss exposure by minimizing exposures to any particular key rate point on the yield curve.

SENSITIVITY TO VARIATIONS IN INTEREST RATES

The sensitivity of a +/- 1% and 1basis point (bp) change in the interest rates would have the following impact on the annual surplus (deficit) and accumulated re-measurement gains (losses):

(Decrease)/increase in interest rate	Impact	
($,000,000)	**Statement of operations**	**Re-measurement gains/losses**
-1% / +1%	(0.9) / (0.8)	
-1bp / +1bp		(0.9) / 0.9

LIQUIDITY RISK

Liquidity risk is the risk that Infrastructure Ontario will not be able to meet its financial obligations as they become due. Its lenders are protected by the Capital funding, funded by long-term subordinated loans provided by the Province and OCWA. The Capital funding is invested in short-term, liquid instruments that can be converted to cash in the event of any foreseeable liquidity crisis (for example, failure of an Infrastructure Ontario debt issue to close when expected, disruption to the short-term commercial paper debt issuance program, or large unanticipated client cash requirements).

The primary objectives for the investment strategy are to maintain safety of the principal and provide flexibility and liquidity with respect to the reserve. The Asset Liability Management Policy establishes limits on the type and tenor as a percentage of total holdings of all investments and complies with the Financial Administration Act 1990 of the Province.

Infrastructure Ontario's Borrowing By-law is approved by the Board of Directors and the Ministers of Infrastructure and Finance on an 18-month basis. Borrowing is reviewed with the Risk Committee of the Board on a quarterly basis. All borrowing is made with prudent consideration of interest rate and liquidity risks and complies with the Asset Liability Management Policy. OFA coordinates and executes all borrowing activities. Infrastructure Ontario borrows directly from the Province for its long-term funding needs through OFA.

In addition to the Asset Liability Management Policy's directives on liquidity management, the Agency has a Capital Management Policy, under the oversight of the Risk Committee of the Board of Directors to ensure continued market liquidity. The Capital Management Policy's limits ensure that at all times there is sufficient risk reserve capital to prevent extreme loan losses scenarios from impacting investors in Infrastructure Ontario's commercial paper or Infrastructure Renewal Bonds. By maintaining an appropriate amount of capital for the loan risk assumed, Infrastructure Ontario's "AA" credit rating and thus its continuous ability to borrow funds from the capital markets through OFA will be retained.

The following illustrates the maturities of contracted obligations at March 31, 2014:

($,000)		6 to 12 months	1 to 5 years	Over 5 years	Total
Accounts payables	$	70,042	-	-	70,042
Accrued liabilities		67,239	-	-	67,239
Interest payable		39,660	19,562	-	59,222
OFA credit facility		15,000	10,000	-	25,000
Debt – loan program		659,241	2,099,342	2,984,570	5,743,153
Undisbursed loan commitments (Note 17)					983,000
Total non-derivative financial liabilities	$	851,182	2,128,904	2,984,570	6,947,656

16. CONTINGENCIES

The Agency is involved in various disputes and litigation. In the opinion of management, the resolution of disputes against the Agency, including those provided for, will not result in a material effect on the consolidated financial position of the Agency.

17. COMMITMENTS

LOAN PROGRAM:

($,000)

Program year		Approved Financing		Funds Advanced
2004 - 2005	$	582,000	$	468,000
2005 - 2006		319,000		261,000
2006 - 2007		49,000		40,000
2007 - 2008		434,000		394,000
2008 - 2009		648,000		602,000
2009 - 2010		1,039,000		934,000
2010 - 2011		1,046,000		862,000
2011 - 2012		874,000		796,000
2012 - 2013		670,000		541,000
2013 - 2014		593,000		373,000
	$	6,254,000	$	5,271,000

Minimum base rent annual payments under operating leases for the Agency's office space for the next five years:

($,000)

Fiscal year		Amount
2014 – 2015	$	4,278
2015 – 2016		4,577
2016 – 2017		4,898
2017 – 2018		5,241
2018 – 2019		5,608
Thereafter		-
	$	24,602

18. FUNDS HELD IN TRUST

Infrastructure Ontario maintains several operating bank accounts and one short-term investment account, which it holds in trust and administers on behalf of the Ministry. The accounts relate directly to the operations of the Ministry's General Real Estate Portfolio, for which the Agency is the financial manager pursuant to the Ontario Infrastructure and Lands Corporation Act, 2011. The funds held in trust for the Ministry at March 31, 2014 were $197.9 million (2013 - $157.6 million), and are not recorded in these financial statements.

Infrastructure Ontario is required by the Canadian Mortgage and Housing Corporation (CMHC) to collect property taxes and reserve funds as a condition of providing affordable housing loans. As part of the CMHC certificate of insurance, the funds need to be set up in a trust account and administered by Infrastructure Ontario. At March 31, 2014 the funds under administration were $14.2 million (2013 - $1.3 million).

Infrastructure Ontario maintains a project trust account to record funds received from Ministries and payable to project construction consortiums related to project substantial completion payment, interim payment, relief payment, variations, and furniture, fixture and equipment payments. Variations are changes to scope agreed to after the initial contract has been executed– also called contract change orders. All the above payments are paid directly by the sponsoring ministry, but flow through Infrastructure Ontario. At March 31, 2014, Infrastructure Ontario held $28.2 million in its project trust account including: $10.2 million for Pan Am Athletes Village project including $0.2 million accumulated interest, $2.6 million relating to relief payments for the St. Thomas, Waterloo and Thunder bay Courthouse Development Projects, $1.5 million for Thunder Bay Consolidated Courthouse and $0.2 million relates to the South West Detention Centre project. The remaining $13.7 million held in this project trust account is related to variations, and furniture, fixture and equipment for various projects.

19. ECONOMIC DEPENDENCE

As disclosed in Note 13, Infrastructure Ontario is economically dependent on the Province as a significant portion of revenue is from services provided to various Ministries and Ontario Crown Agencies.

Based on the Province's support in providing a multi-year commitment for public infrastructure projects and providing a 50 year loan, Infrastructure Ontario is considered a going concern.

20. SEGMENTED INFORMATION

Infrastructure Ontario's reporting structure reflects how the business is managed and how operations are classified for planning and measuring performance. Infrastructure Ontario realigned the segmented information in the current year to reflect changes to how the business is managed. Comparative figures have been reclassified to conform to the current year presentation. The table below is a summary of financial information by segment:

YEAR-ENDED MARCH 31 2014

($,000)	Project Delivery	Lending	Real Estate Management and Planning	Consolidated
REVENUE				
Interest revenue	$ -	159,422	-	159,422
Investment income	-	7,291	-	7,291
Project delivery fees	62,516	-	8,358	70,874
Management fees	-	-	40,106	40,106
Recoverable costs	33,654	-	-	33,654
Other income	-	2	-	2
	96,170	**166,715**	**48,464**	**311,349**
EXPENSES				
Salaries and benefits	25,220	4,064	28,746	58,030
General and administration	6,917	3,429	9,078	19,424
Program Expenses				
Project advisory fees	36,473	-	-	36,473
Interest expense	-	154,379	-	154,379
Loan valuation allowance	-	7,230	-	7,230
Sub-contracting fees	-	-	9,664	9,664
Project funding expenses	1,283	-	-	1,283
Total program expenses	37,756	161,609	9,664	209,029
	69,893	**169,102**	**47,488**	**286,483**
Surplus/(deficit)	**$ 26,277**	**(2,387)**	**976**	**24,866**

YEAR-ENDED MARCH 31 2013

($,000)	Project Delivery	Lending	Real Estate Management and Planning	Consolidated (Note 22)
REVENUE				
Interest revenue	$ -	140,767	-	140,767
Investment income	-	19,247	-	19,247
Project delivery fees	62,929	-	11,486	74,415
Management fees	-	-	41,871	41,871
Recoverable costs	75,366	-	-	75,366
Other income	10	1,285	-	1,295
	138,305	**161,299**	**53,357**	**352,961**
EXPENSES				
Salaries and benefits	23,066	4,893	27,100	55,059
General and administration	7,059	3,213	9,033	19,305
Program Expenses				
Project advisory fees	89,156	-	-	89,156
Interest expense	-	146,199	-	146,199
Loan valuation allowance	-	114	-	114
Sub-contracting fees	-	-	9,108	9,108
Project funding expenses	1,969	-	-	1,969
Total program expenses	91,125	146,313	9,108	246,546
	121,250	**154,419**	**45,241**	**320,910**
SURPLUS	$ 17,055	6,880	8,116	32,051

21. SUBSEQUENT EVENTS

DEBT RESTRUCTURING

Subsequent to March 31, 2014, Infrastructure Ontario restructured its debt. Previously, Infrastructure Ontario issued commercial paper to the capital markets to fund its short-term construction loans. Subsequent to March 31, 2014, Infrastructure Ontario started funding short-term construction loans with a new short-term credit facility from the Province. Interest charged on the facility is similar to that currently paid on commercial paper.

It is expected that the commercial paper held at March 31, 2014 will be held until maturity (April 2014 – June 2014) but that all new borrowings from May 27, 2014 will be made from the new credit facility.

REPAYMENT OF OFA CREDIT FACILITY

Subsequent to March 31, 2014, Infrastructure Ontario repaid $15.0 million on the OFA credit facility in April 2014.

22. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current presentation.

INFRASTRUCTURE ONTARIO
1 Dundas Street West , Suite 2000, Toronto ON M5G 2L5
www.infrastructureontario.ca